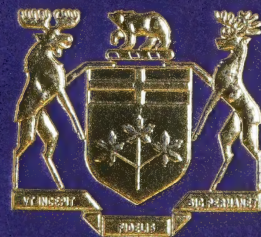


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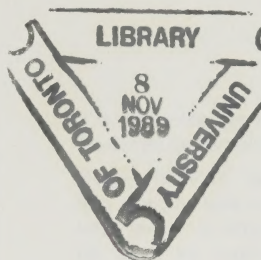
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financial report 1975
PROVINCE OF ONTARIO

Ontario
Ministry of Treasury, Economics
and Intergovernmental Affairs
Financial report

CA20NTR
F36



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HON. W. DARCY McKEOUGH, Treasurer of Ontario

It is with pleasure that I present the 1975 Financial Report of the Province of Ontario.

During 1974-75, our economy and therefore our finances have been subjected to high levels of inflation. I am pleased to be able to report however that the budgetary deficit, at \$546 million, was held beneath the 1974 Budget prediction. The non-budgetary account reflects new initiatives by the Government to substantially increase provincial investment in housing, land and energy.

This report highlights the major aspects of Ontario's finances. The Public Accounts submitted to the Legislature annually, should be referred to for detailed information. The policy aspects of Ontario's financial operations are discussed in the annual Ontario Government Budget.

Comments or queries will be welcome and should be directed to the Treasury Division of the Ministry of Treasury, Economics and Intergovernmental Affairs.

Toronto, July 1975

Copies may be obtained from the
FINANCIAL INFORMATION AND ACCOUNTING POLICY BRANCH
MINISTRY OF TREASURY, ECONOMICS AND INTERGOVERNMENTAL AFFAIRS
Frost Building, Queen's Park
Toronto, Ontario M7A 1Y7

BASIS OF REPORTING

The financial statements of the Province of Ontario reflect the use of the "cash flow" principle of accounting. This method, modified to allow an additional thirty days to pay for goods and services pertaining to the fiscal year just ended, offers a precise measurement of government activity for a fiscal year. This, rather than the "accrual" principle, is utilized because of two fundamental characteristics of government reporting which set it apart from commercial practice.

The first characteristic is the constitutional principle which underlies the system. The Legislature votes sums of money to specified ministries for stated purposes. The Legislature provides for the required money by authorizing the government to levy taxes or to borrow. The accounts of the government therefore are a record of stewardship and reflect the accountability to the Legislature for the management and disposition of monies levied, entrusted and spent. The purpose of the public accounts in government is to explicitly display that stewardship as revenue flows into and expenditure flows out of the Consolidated Revenue Fund.

The second characteristic is that there is no direct commercial relationship between government revenues and government expenditures. This obviates the "matching" benefit provided by accrual accounting. Expenditures are incurred for the operation of a wide range of services which have been established by government policy. Taxation, the major source of revenues, is imposed on those parts of the economy best able to finance government programs and is also a fiscal policy instrument for the government, in terms of its incidence and in its relationship to expenditures.

The transactions of the Province of Ontario are presented in summary form according to the three distinct areas of government activity through the Consolidated Revenue Fund:

"Budgetary Transactions" are operational activities which include the revenues raised through taxation, premiums, fees, licences and permits, payments from the federal government under shared-cost programs, and income from investments. Expenditures on government programs include payments for goods and services, interest on the public debt, salaries, transfer payments to individuals, municipalities and institutions under various social programs, subsidies and grants and the acquisition or creation of fixed assets. Government assets are generally of lasting value and may tend even to appreciate over time; e.g. parkland, public works or the highway system. Their benefit to future taxpayers is not significantly different from expenditures on education or health care. For these reasons Provincial expenditures on fixed assets are treated as non-recoverable expenditures of each fiscal year. The extent to which revenue exceeds or falls short of expenditure directly decreases or increases the net debt.

"Non-Budgetary Transactions" are the lending, investment and trust administration functions which include, as distinct from expenditure, the government lending and investment activity in various crown corporations, agencies and municipalities. All of these loans and advances are repayable or represent equity holdings supported by the assets of the corporations. Net changes are reflected in the year-to-year fluctuation on the Statement of Assets and Liabilities. Also included in this category is the activity within deposit, trust and certain special purpose accounts, all of which bear directly on the Statement of Assets and Liabilities.

"Debt Transactions" are the borrowing and repayment transactions which include obligations issued to both non-public and public sources of funds and are reflected directly in the Statement of Assets and Liabilities.

The Net Debt of the Province is the excess of liabilities over revenue-producing and realizable assets. Year-to-year changes in net debt are related directly to the amount by which revenues exceed or are less than expenditures on budgetary transactions.

With respect to the financial operations of provincial crown corporations, agencies, boards and commissions, the financial statements presented in this Report reflect (i) the year-end position of the advances to or the investments in these entities which are made from the Consolidated Revenue Fund and (ii) the extent to which their operations have been financed from or have contributed to the Fund for the year.

PROVINCE OF ONTARIO
STATEMENT OF CONSOLIDATED REVENUE FUND
 Year ended March 31

	1975 (\$ millions)	1974 (\$ millions)
opening balance		
Cash, temporary investments and marketable securities (note 1) . . .	982	981
budgetary transactions		
Revenue	8,275	6,922
Expenditure	8,821	7,302
Budgetary deficit	(546)	(380)
non-budgetary transactions		
Loans and investments		
Disbursements	1,423	856
Receipts	401	181
Net increase in loans and investments	1,022	675
Trust administration functions		
Credits	323	179
Charges	60	55
Net increase in trust administration functions	263	124
Non-budgetary transactions (net) . .	(759)	(551)
net cash requirements	(1,305)	(931)
debt transactions		
Proceeds of loans	1,539	1,196
Repayments of loans	360	264
	1,179	932
closing balance		
Cash, temporary investments and marketable securities (note 1) . .	856	982

See accompanying Basis of Reporting and Notes to the Financial Statements.

BUDGETARY TRANSACTIONS

Year ended March 31

revenue

taxation

	1975		1974	
	(\$ millions)	%	(\$ millions)	%
Retail sales tax	1,569	19.0	1,315	19.0
Personal income tax	1,445	17.5	1,236	17.9
Corporation taxes	892	10.8	637	9.2
Gasoline tax	493	6.0	477	6.9
Mining profits tax	153	1.8	47	.7
Tobacco tax	101	1.2	100	1.4
Motor vehicle fuel tax	79	1.0	70	1.0
Succession duty	78	.9	88	1.3
Federal government income tax revenue guarantee	49			
Land transfer tax	48		46	
Race tracks tax	34		29	
Income tax—public utilities	8		13	
Other taxation	4		9	
	<u>4,953</u>	<u>59.9</u>	<u>4,067</u>	<u>58.8</u>

other revenue

Premiums—Ontario Hospital Insurance Plan	548	6.6	530	7.6
Profits—Liquor Control Board of Ontario	302	3.7	280	4.0
Vehicle registration fees	187	2.3	172	2.5
Other fees and licences	92	1.1	90	1.3
Sales and rentals	86	1.0	32	.5
Fines and penalties	42		37	
Royalties	36		29	
Utility service charges	26		20	
Miscellaneous	31		28	
	<u>1,350</u>	<u>16.3</u>	<u>1,218</u>	<u>17.6</u>

payments from the federal government 1,517 18.3 1,267 18.3

interest on loans, advances and investments 455 5.5 370 5.3

total revenue 8,275 100.0 6,922 100.0

expenditure

social development policy field

	page	1975		1974	
		(\$ millions)	%	(\$ millions)	%
Health	39	2,536	28.7	2,048	28.1
Education	39	1,598	18.1	1,411	19.3
Colleges and Universities	36	931	10.6	824	11.3
Community and Social Services	37	684	7.8	562	7.7
		5,749	65.2	4,845	66.4

resources development policy field

Transportation and Communications	35	812	9.2	684	9.4
Natural Resources	34	190	2.2	159	2.2
Agriculture and Food	31	113	1.3	105	1.4
Environment	32	58		45	
Industry and Tourism	32	37		26	
Labour	33	14		12	
Energy	31	2		1	
		1,226	13.9	1,032	14.1

justice policy field

Solicitor General	30	106	1.2	90	1.2
Correctional Services	29	102	1.2	86	1.2
Attorney General	27	85	1.0	68	.9
Consumer and Commercial Relations	27	35		29	
		328	3.7	273	3.7

general government

Treasury, Economics and Intergovernmental Affairs	25	347	3.9	262	3.6
Government Services	23	269	3.0	180	2.5
Revenue	25	123	1.4	53	.7
Housing	24	70		37	
Other		21		17	
		830	9.4	549	7.5

public debt—interest

688	7.8	603	8.3
-----	-----	-----	-----

total expenditure

8,821	100.0	7,302	100.0
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NON-BUDGETARY TRANSACTIONS

Year ended March 31

loans and investments

Disbursements

	1975	1974
	(\$ millions)	
Ontario Hydro—secured by debentures	375	250
Ontario Land Corporation (note 3)	320	
Ontario Mortgage Corporation (formerly Housing Corporation Limited) . .	133	67
Ontario Housing Corporation	92	162
Investments in water treatment and waste control facilities	127	81
Ontario Energy Corporation	100	
The Ontario Education Capital Aid Corporation	87	87
The Ontario Universities Capital Aid Corporation	38	77
Public Hospitals	42	33
Ontario Development Corporation	28	24
Northern Ontario Development Corporation	11	6
Federal-Provincial Winter Capital Projects—loans to municipalities	17	1
Ontario Housing Action Program—loans to municipalities	13	
Tile Drainage Debenture Loans to Municipalities	13	8
Ontario Municipal Improvement Corporation	7	4
Federal-Provincial Employment Loans to Municipalities		16
Ontario Transportation Development Corporation		6
Ontario Northland Transportation Commission	7	28
Other	13	6
	1,423	856

Receipts

Ontario Housing Corporation (note 3)	208	6
Ontario Mortgage Corporation (formerly Housing Corporation Limited) . .	12	8
The Ontario Education Capital Aid Corporation	46	42
The Ontario Universities Capital Aid Corporation	20	19
Ontario Hydro—secured by debentures	47	27
—nuclear power generating station	18	7
Public Hospitals	12	30
Investments in water treatment and waste control facilities	7	11
Ontario Development Corporation	7	8
Other	24	23
	401	181

net increase in loans and investments

1,022 675

trust administration functions

Credits

Deposits to pension funds and deposit, trust and reserve accounts (note 7)	277	151
Province of Ontario Savings Office Deposits—net increase	46	28
	323	179

Charges

Payments from pension funds and deposit, trust and reserve accounts (note 7)	60	55
--	----	----

net increase in trust administration functions

263 124

DEBT TRANSACTIONS

Year ended March 31

proceeds of loans

Non-public

Canada Pension Plan Investment Fund	702	607
Teachers' Superannuation Fund	286	195
Ontario Municipal Employees Retirement Fund (note 7)	144	125
Central Mortgage and Housing Corporation—waste control loans	16	18
Government of Canada, Federal-Provincial Employment Incentive Programs	16	1
	1,164	946

Public

On behalf of Ontario Hydro	375	250
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total proceeds of loans	1,539	1,196
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repayments of loans

Non-public

Government of Canada, Federal-Provincial Employment Incentive Programs	4	5
Government of Canada, Municipal Development Loan Board	4	4
	8	9

Public

Treasury Bills (net)	90	170
For general purposes	215	58
On behalf of Ontario Hydro	47	27
	352	255

total repayments of loans	360	264
-------------------------------------	-----	-----

PROVINCE OF ONTARIO

STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 1975
(with comparative figures for 1974)

See accompanying Basis of Reporting and Notes to The Financial Statements

ASSETS

	1975	1974
	(\$ millions)	
Cash, temporary investments and marketable securities (note 1)	856	982
Advances to Ontario Hydro (note 2)	1,789	1,478
Advances and investments—other corporations, boards and commissions (note 3)	3,778	3,247
Investments in water treatment and waste control facilities (note 4)	528	408
Loans to municipalities	213	181
Other loans and investments (note 5)	220	192
Total realizable assets	7,384	6,488
Net debt	3,448	2,902
	10,832	9,390

Approved on behalf of the Ministry of Treasury, Economics and Intergovernmental Affairs:
A. RENDALL DICK, Deputy Treasurer of Ontario and Deputy Minister of Economics and Intergovernmental Affairs.
G. McINTYRE, F.C.A., Executive Director, Treasury Division.

LIABILITIES

	1975	1974
	(\$ millions)	
Demand deposits with the Province of Ontario Savings Office	233	187
Pension funds (note 6)	796	687
Deposit, trust and reserve accounts	188	80
Advances payable (note 7)	61	45
Treasury bills		90
Notes payable (note 8)	19	24
Debentures (note 1 and note 9)	9,535	8,277
	10,832	9,390
Contingent liabilities (note 10)	3,843	3,330

NOTES TO THE FINANCIAL STATEMENTS

(All figures in millions of dollars)

note 1. cash, temporary investments and marketable securities

	1975	1974
Temporary investments	\$1,131	\$1,241
Marketable securities	166	99
Bank balances	(441)	(358)
	<u>\$ 856</u>	<u>\$ 982</u>

Temporary investments include obligations of Canadian chartered banks and other short term investments.

Marketable securities consist mainly of debentures issued by the Province of Ontario and Ontario Hydro. Prior to April 1, 1974, Ontario debentures were valued at par and reported as a deduction from debenture liability at the fiscal year end. Commencing with fiscal year 1975, Ontario debentures are valued at cost and reported as an asset at the fiscal year end. The comparative 1974 amount includes \$49 million of Ontario debentures valued at par which were previously reported as a deduction from debenture liability. The market value of marketable securities was \$162 million (\$186 million par value) and \$85 million (\$100 million par value) at March 31, 1975 and 1974 respectively.

Bank balances includes an amount of \$499 million representing cheques issued during April 1975 to record payments pertaining to the 1975 fiscal year.

note 2. advances to ontario hydro

	1975	1974
Secured by debentures	\$1,711	\$1,382
Nuclear Power Generating Station—Pickering	78	96
	<u>\$1,789</u>	<u>\$1,478</u>

The Province by agreement with Ontario Hydro and Atomic Energy of Canada Limited contributed to the capital cost of the Pickering Nuclear Power Generating plant and under the terms of the agreement receives payments based on the net operational advantages of the plant. These payments which have amounted to \$22 million have been applied to reduce the advance.

note 3. advances and investments—other corporations, boards and commissions

	1975	1974
The Ontario Universities Capital Aid Corporation	\$1,196	\$1,179
The Ontario Education Capital Aid Corporation	1,187	1,146
Ontario Mortgage Corporation (formerly Housing Corporation Limited)	384	263
Ontario Land Corporation	320	
Ontario Housing Corporation	262	378
Ontario Student Housing Corporation	9	9
Ontario Energy Corporation	100	
Ontario Development Corporation	90	68
Northern Ontario Development Corporation	21	10
The Ontario Junior Farmer Establishment Loan Corporation	74	74
Ontario Northland Transportation Commission	65	58
The Ontario Municipal Improvement Corporation	30	27
Investment in the Liquor Control Board of Ontario	25	25
Other	15	10
	<u>\$3,778</u>	<u>\$3,247</u>

Based on latest financial information, these corporations, boards and commissions have accumulated equities of approximately \$45 million.

The Ontario Land Corporation, established in March 1975, received advances of \$320 million to purchase land for the North Pickering, South Cayuga, Townsend and Edwardsburgh projects. The North Pickering land held by Ontario Housing Corporation was sold to the Ontario Land Corporation. The Ontario Housing Corporation in turn repaid \$193 million advances previously made from the Consolidated Revenue Fund for the North Pickering Community Development Project.

note 4. investments in water treatment and waste control facilities

The Ministry of the Environment lets extensive contracts for the building of water and sewage systems to serve municipalities. Under the agreements with individual municipalities the costs of construction and operation of the facilities are fully recoverable over the period of years provided in the agreements with the municipalities.

note 5. other loans and investments

	1975	1974
Loans to public hospitals	\$ 206	\$ 176
Miscellaneous	14	16
	<u>\$ 220</u>	<u>\$ 192</u>

note 6. pension funds

	1975	1974
Public Service Superannuation Fund	\$ 794	\$ 685
Legislative Assembly Retirement Allowances Account	2	2
	<u>\$ 796</u>	<u>\$ 687</u>

Based on actuarial studies as at December 31, 1970 the Public Service Superannuation Fund has unfunded liabilities as follows at March 31, 1975:

1. An initial unfunded liability of \$82 million, upon which an interest contribution is credited annually to the Fund in accordance with the Pension Benefits Act.
2. An experience deficiency of \$35 million which had been liquidated at March 31, 1975.

An actuarial study as at December 31, 1973 is currently being prepared.

Teachers' Superannuation Fund

Through the budgetary expenditures of the Ministry of Education the Province of Ontario makes annual contributions to the Teachers' Superannuation Fund administered by the Teachers' Superannuation Commission equal in amount to contributions by members. Further, the Province is committed to paying any deficiency in the Fund. Based on actuarial studies as at December 31, 1972, the Fund has unfunded liabilities as follows at March 31, 1975:

1. An initial unfunded liability of \$328 million upon which an interest contribution is credited annually to the Fund in accordance with the Pension Benefits Act.
2. A residual unfunded liability due to plan amendments amounting to \$230 million which is required to be amortized in the seventeen year period ending December 31, 1989 by annual payments of \$21.9 million.

As at March 31, 1975, the Province had made all required payments.

note 7. advances payable

	1975	1974
Central Mortgage and Housing Corporation	\$ 35	\$ 25
Ontario Municipal Employees Retirement Fund	26	20
	<u>\$ 61</u>	<u>\$ 45</u>

The Central Mortgage and Housing Corporation advances funds to the Province on an interim basis for a portion of the cost of waste control projects under construction. When a project is completed the advance is partially forgiven and the balance converted to a forty year serial debenture.

The Ontario Municipal Employees Retirement Fund deposits surplus funds with the Province and on December 31 each year receives a debenture for all funds deposited in the calendar year. The balance in "advances payable" represents deposits made between January 1 and March 31. In prior years deposits received between January 1 and March 31 were reported as a Deposit account on the Statement of Assets and Liabilities and the activity of the account was recorded as non-budgetary transactions. In 1975 the accounting treatment has been revised to record all funds received in the fiscal year as Proceeds of Loans in the Statement of Consolidated Revenue Fund. The 1974 comparative amounts have been restated to reflect the change in accounting.

note 8. notes payable

	1975	1974
Federal-Provincial Winter Capital Projects Fund	\$ 19	\$ 1
Federal-Provincial Employment Loans		23
	<u>\$ 19</u>	<u>\$ 24</u>

The Province of Ontario has received funds from the Government of Canada in connection with the above federal-provincial employment incentive programs. The notes are due and payable at various dates between 1979 and 1995.

note 9. debentures

	1975		
	Public	Non-public	Total
Maturing within 1 year	\$ 30	\$ 6	\$ 36
Maturing within 2-5 years	316	23	339
Maturing within 6-10 years	489	106	595
Maturing within 11-15 years	264	1,787	2,051
Maturing within 16-20 years	45	3,764	3,809
Maturing within 21-25 years	750	723	1,473
Maturing within 26-30 years	982	232	1,214
Maturing within 31-35 years		11	11
Maturing within 36-40 years		7	7
	<u>\$2,876</u>	<u>\$6,659</u>	<u>\$9,535</u>

The Province has borrowings of 217 million Deutsche Marks recorded at \$61 million, the Canadian dollar equivalent at the time of issuance. At March 31, 1975, the Canadian dollar equivalent was \$93 million.

note 10. contingent liabilities

The Province is guarantor of certain obligations of Provincial Corporations, Boards, Commissions, and Agencies as follows:

	1975	1974
Ontario Hydro	\$3,779	\$3,251
Provincial Corporations	96	92
Miscellaneous	58	39
	<u>3,933</u>	<u>3,382</u>
Less: Ontario Hydro debentures held as investments of the Province	90	52
	<u>\$3,843</u>	<u>\$3,330</u>

note 11. fixed assets

Government expenditures on fixed assets are not capitalized for the reasons given in the Basis of Reporting on page 4. They are carried on the government accounting records at the nominal value of one dollar.

note 12. inactive assets

The Province of Ontario has fully reserved inactive assets in the amount of \$4.4 million.

The Government of Canada Debt Account at \$2.9 million is an amount on which the Government of Canada pays interest at 5% to compensate the Province of Ontario for monies withheld from the Province in the period July 1, 1867 to January 1, 1873.

The Common School Fund at \$1.5 million represents Ontario's share in a permanent fund of \$2.7 million held in trust by the Government of Canada for the Provinces of Ontario and Quebec. The fund is derived from the sale of Crown lands set aside for the benefit of common schools by statutes enacted before Confederation. The Government of Canada pays interest to the Provinces on the principal sum at the rate of 5% per annum, payable semi-annually, in proportion to their respective populations as determined by the most recent decennial census. The present allocation is based on the census of 1971.

note 13. long-term leases

The Province has long-term lease commitments for accommodation amounting to \$207 million to 1999 and an additional \$12 million for years beyond 1999. The lease payments made in 1974-75 amounted to \$30 million.

TEN-YEAR REVIEW

(All figures in millions of dollars)

results of operations

budgetary transactions

	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966
revenue	8,275	6,922	6,115	5,403	5,081	4,401	3,531	2,885	2,430	1,958
expenditure	8,821	7,302	6,481	6,028	5,217	4,251	3,624	3,004	2,419	1,960
surplus or (deficit)	(546)	(380)	(366)	(625)	(136)	150	(93)	(119)	11	(2)

financial position

liabilities

debentures	9,535	8,277	7,173	6,080	5,193	4,560	3,961	3,237	2,623	2,226
other liabilities	1,297	1,113	1,160	906	602	524	487	432	390	345
total liabilities	10,832	9,390	8,333	6,986	5,795	5,084	4,448	3,669	3,013	2,571

revenue producing and realizable assets

cash, temporary investments and marketable securities	856	982	981	662	647	655	537	430	410	343
other loans, investments and realizable assets	6,528	5,506	4,830	4,170	3,619	3,036	2,369	1,790	1,272	887
total assets	7,384	6,488	5,811	4,832	4,266	3,691	2,906	2,220	1,682	1,230

net debt (liabilities minus assets)

	3,448	2,902	2,522	2,154	1,529	1,393	1,542	1,449	1,331	1,341
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net debt as a per cent of budgetary revenue (%)

	41.7	41.9	41.2	39.9	30.1	31.7	43.7	50.2	54.8	68.5
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net debt as a per cent of gross provincial product (%)

	6.0	5.9	5.9	5.7	4.3	4.3	5.3	5.5	5.4	6.1
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contingent liabilities

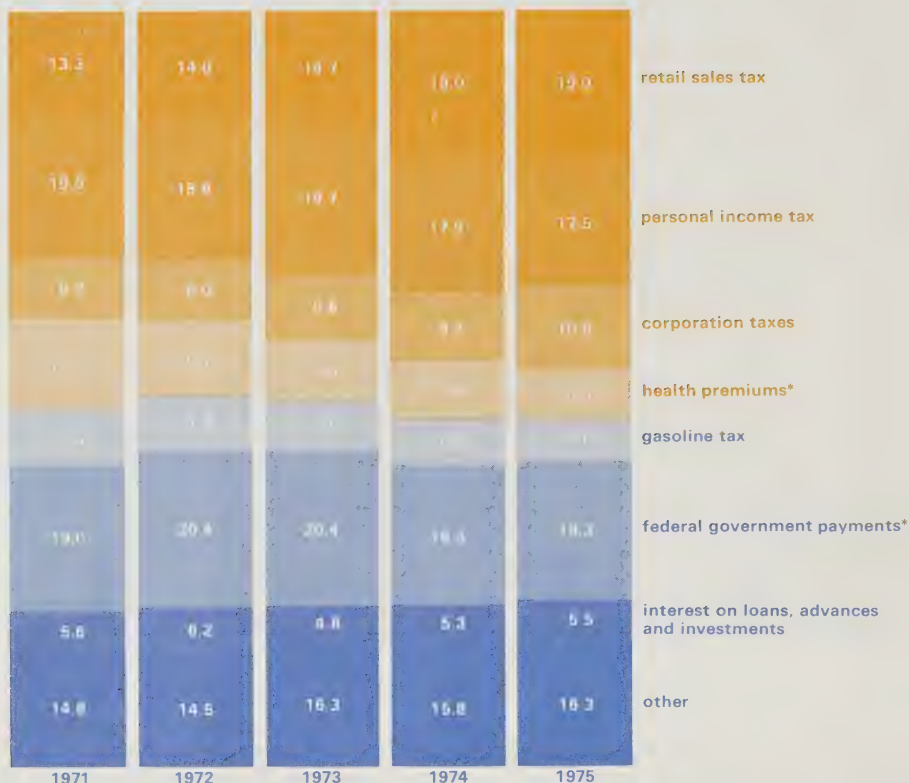
Ontario Hydro	3,689	3,199	2,912	2,687	2,331	2,092	2,020	1,826	1,863	1,709
other	154	131	118	94	82	76	107	107	105	83
	3,843	3,330	3,030	2,781	2,413	2,168	2,127	1,933	1,968	1,792

Note: The 1974 and prior amounts have been re-stated where necessary to report on a basis consistent with that used in 1975. On April 1, 1972, the operations of The Ontario Hospital Services Commission were absorbed by the Ministry of Health. Revenue and expenditures prior to 1972 have been re-stated to include gross revenues (including premium revenue and Federal contributions) and gross expenditures of hospital plans which were formerly administered by The Ontario Hospital Services Commission.

REVENUE TRENDS

major revenue sources

per cent



*Health premiums and Federal Government payments have been re-stated for the years 1971 and 1972 to include revenues of The Ontario Hospital Services Commission which operations were absorbed by the Ministry of Health, April 1, 1972.

1974-75 revenue

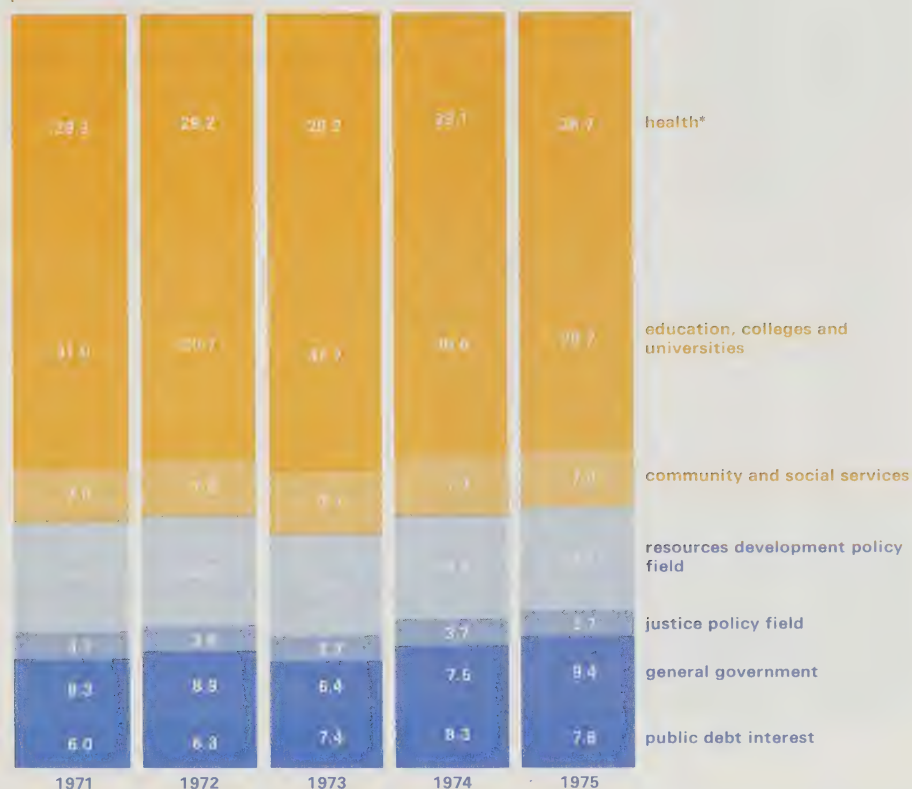
In 1974-75 Provincial revenue as a whole grew by more than 19%. The largest change in 1974-75 was experienced in the corporate income tax which increased from 9.2% to 10.8% of total revenue as a result of larger corporate profits. Retail sales tax maintained the same relative percentage as in 1974 while personal income tax declined slightly. Federal Government Payments which primarily include reimbursements of provincial expenditure under a number of federal-provincial shared cost agreements, remained unchanged as a percentage of total revenue. Health premiums and gasoline tax both increased in absolute amount but as a percentage of total revenue continued to decline in importance. Health premiums were reduced in 1972 and the rates have remained unchanged since that time. Gasoline tax, at 19¢ per gallon, has remained unchanged since 1972.

The Ontario Tax Credit program relieves the burden of sales and property taxes on the elderly and families with low and modest incomes by allowing special tax credits administered through the personal income tax system. The apparent decline in the personal income tax contribution to total revenue in 1974 and 1975 is due to the fact that these yields are net of \$182 million and \$306 million tax credits respectively.

EXPENDITURE TRENDS

major expenditure functions

per cent

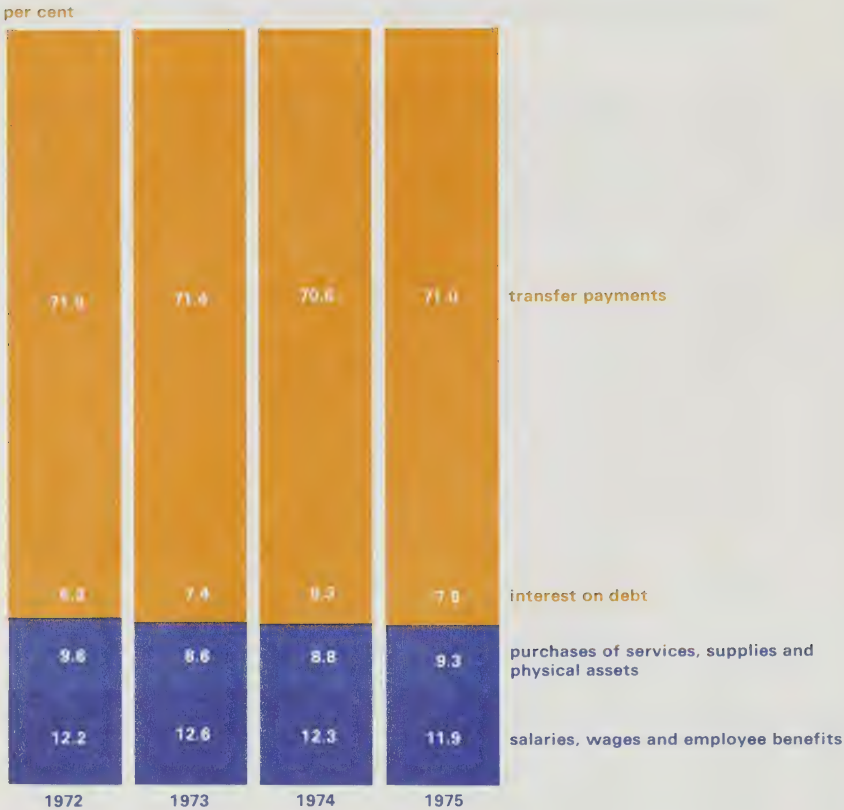


*Health expenditures have been re-stated for the years 1971 and 1972 to include expenditures of The Ontario Hospital Services Commission which operations were absorbed by the Ministry of Health, April 1, 1972.

The chart above illustrates the relative size of the major provincial expenditure functions in 1974-75 as compared with the previous four fiscal years.

While inflation has played a major role in expenditure growth trends, functional expenditures are not normally subject to dramatic shifts in relative importance since the Province must continue to meet its responsibilities in all functions. However gradual increases and decreases are discernable where the Province moves its attention to new priorities as the previous objectives are met. For example the commitments to increased operating budget support in education and the development of the community college concept have largely been fulfilled through the period 1970 to 1974. (See Education, Colleges and Universities.) The new initiative requiring greatest financial resources in the last two fiscal years has been the increased financial assistance to local governments to reduce reliance on property taxes. This was achieved by such means as the unconditional grants program (see General Government) which paid out \$295 million in 1975 as opposed to \$79 million in 1973.

major expenditure classifications



transfer payments

Transfer payments are grants, subsidies and allowances paid to persons, agencies and other governmental bodies and which account for over 70% of total government expenditure. Following is an outline of five major transfer payments in the year to March 1975.

Transfer payments to hospitals \$1,372,000,000

Since 1972 financial support payments to hospitals for current expenditure have grown by \$470 million which is an average annual growth rate of 15%. It is estimated that approximately 4 to 5% of this annual growth is related to additional services, but the remainder has been caused by inflationary pressures and the resultant increased labour costs. The largest single change in the period was the salary increase won by nurses in the summer of 1974 estimated at a cost of \$172 million for 1974-75.

Payments to physicians \$650,000,000

These payments, administered by O.H.I.P., have grown at an average annual rate of 11% since 1972. Unlike most other transfer payments the largest contributing factor to increases has not been inflation, indeed the only scheduled fee increase for doctors since 1972 was a 7.75% increase in May 1974. A larger supply of doctors and increased individual use of the health plan has accounted for most of the increased cost.

Grants to school boards \$1,330,000,000

Since 1972 elementary and secondary school enrollments upon which grants are based have been slowly declining in total. Nevertheless the transfer payments have continued to increase as the Province has increased its share of costs from 49% in 1970 to a level of 60% in 1974 and made allowances for the impact of salary inflation on school board budgets. In 1975 elementary and secondary expenditure ceilings increased 11.75% and 8.9% respectively.

Payments for university operating costs \$486,000,000

Universities receive a per capita operating grant for students enrolled. In 1975 the grants in total increased by a larger amount than in immediately preceding years since a 7% inflation allowance coincided with a 4.5% increase in enrollments.

Direct income support for individuals \$304,000,000

In addition to indirect support through subsidization and funding of certain municipal and social agencies, direct payments are made to provide long-term financial assistance to persons in need and ensure that the elderly and citizens without earning power are protected from severe financial hardship. While the number of persons assisted by these payments has increased each year a more significant factor in cost to the Province has been the necessity to increase allowances as basic costs such as food and shelter have increased at a greater rate.

salaries and employee benefits

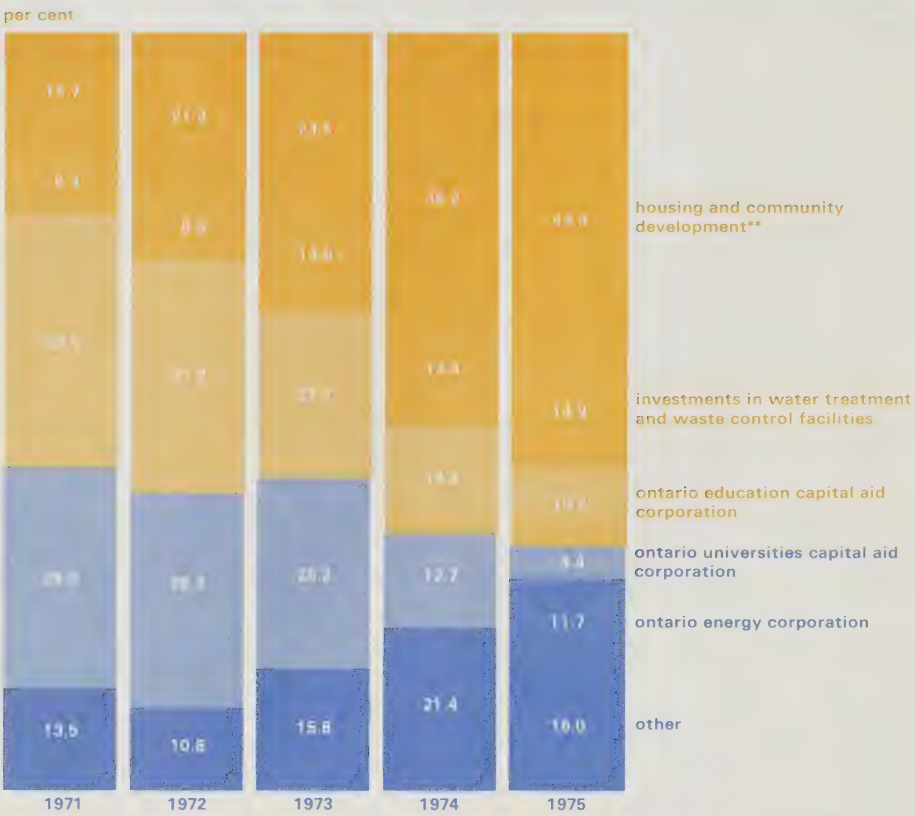
The Ontario civil service of approximately 69,000 persons is involved in the delivery of a wide range of services to the citizens of Ontario (see pages 22 to 40). The major reason for the absolute dollar increase in this classification has been the negotiated settlements reached through the collective bargaining process. Like other employers, the government faced inflation-induced salary demands with settlements ranging from 11% to 21.5% at the lower salary levels. During this four year period the civil service grew in size by only 2.2% as the government has maintained a tight control over the establishment of new positions. For the 1975-76 fiscal year a 2.5% target reduction in the number of approved positions in the civil service has been announced in the April Budget, and further constraints were applied for all internal administrative functions by the Treasurer in his Supplementary Actions to the 1975 Ontario Budget (July 7, 1975).

interest on debt

The absolute increase in debt carrying charges is due both to the increased levels of debt and the higher costs of borrowing in the last two years. It is important to note however that in some cases the Province borrows directly on behalf of others, most significantly Ontario Hydro, and lends the funds on identical terms. In other cases the Province makes loans and advances at equitable interest rates from general funds. The interest income from these provincial loans is reported as revenue (see pages 6 and 16) representing a significant offset to the absolute expenditure amounts.

LENDING TRENDS

major lending and investment functions*



*Excludes disbursements to Ontario Hydro of the proceeds of borrowings by the Province for Hydro purposes.

**Includes investment of \$320 million in the Ontario Land Corporation and repayment of \$193 million advanced to Ontario Housing Corporation for the North Pickering Community Development Project in 1975.

provincial lending activity

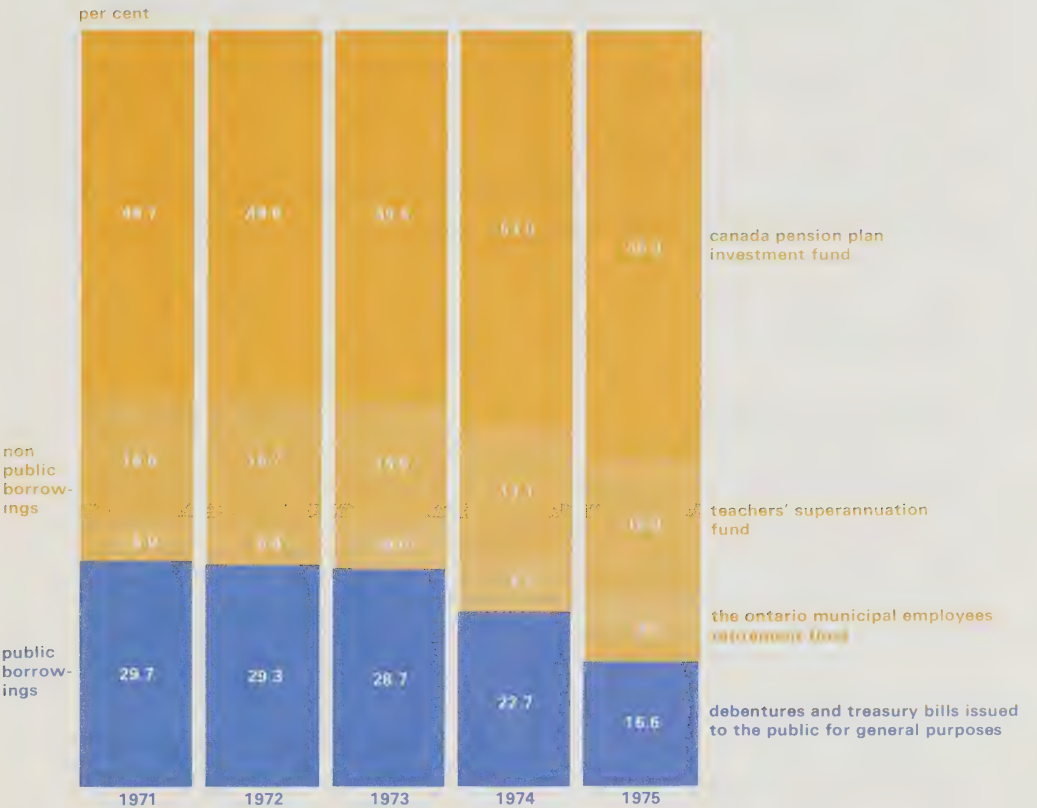
For many years the Province has devoted a substantial portion of its financial strength to supporting capital investment where needed in the Province.

The province's financing priorities in the latter 1960's and early 1970's were primarily geared to education facilities, but in recent years greater attention has been turned to other sectors. Most notable is the growth in the housing and community development sector. The Province has stepped up activity in the creation of housing for low and middle income earners through the Ontario Mortgage Corporation and has increased its commitments in the mortgage financing field through the Ontario Housing Corporation and has increased its commitments in the mortgage financing field through the Ontario Mortgage Corporation. For the last three years the Province has been actively involved in new townsite developments such as North Pickering and now has \$320 million invested in land assembly projects through the Ontario Land Corporation. To parallel the increased activity in the housing and community development sector, the Province has greatly enlarged its investments in water treatment and waste control facilities.

To ensure adequate future supplies of energy at reasonable cost, the Government has established the Ontario Energy Corporation and provided \$100 million in start-up funding. The first major investment of the Corporation is a \$100 million commitment to the Syncrude Project in Northern Alberta.

BORROWING TRENDS

analysis of debt outstanding at March 31 *



*Excludes borrowings on behalf of Ontario Hydro.

provincial borrowing activity

The chart above illustrates the decreased dependence of the Province on public sources of financing. The Province has three major non-public sources of debenture funds, the Canada Pension Plan Investment Fund, the Teachers' Superannuation Fund and the Ontario Municipal Employees Retirement Fund. Non-public debentures were the only source of financing required by the Province in fiscal 1975.

SUMMARY OF MINISTRY SERVICES

(Comprehensive descriptions of the programs, activities and services of some ministries are made by their annual reports to the Legislature. Copies may be obtained from individual ministries on request. The Ministers named are those who held office at the end of the 1975 fiscal year.)

GENERAL GOVERNMENT

office of the lieutenant governor

Hon. Pauline M. McGibbon, Q.C., B.A., LL.D.

Administrative services required by Her Honour the Lieutenant Governor of Ontario.

office of the assembly

Hon. R. D. Rowe

Includes allowances to members, the production of Hansard and certain support services.

office of the premier

Hon. William G. Davis, Q.C.

Administrative and staff services for the Premier's Office and the functions supporting the Premier as head of Government.

cabinet office

This program involves the co-ordination of services provided to the Cabinet and Members of the Executive Council, to the Policy and Priorities Board, and the Policy Field Committees of Cabinet. It includes the responsibility for liaison and secretariat services required by the Cabinet's Legislation Committee. It also includes funds for Ministers Without Portfolio, the Youth Secretariat and the Regulations Committee.

management board of cabinet

Hon. Eric A. Winkler

The Secretariat serves as the staff arm of the Management Board of Cabinet which is in effect the finance and administration committee of the Executive Council. The responsibilities assigned to the Management Board Secretariat reflect the function of the Board on whose behalf it acts.

Programs and estimates

Analysis and co-ordination of program proposals in the context of long term and annual planning • analysis of ministry submissions, especially the impact of proposed expenditures and administrative implications of alternative courses of action • co-ordinating the development and implementation of appropriate budget and general management systems • controlling expenditures of public money within the amount appropriated or otherwise provided for by the Legislature • monitoring program performance and ministry administration to ensure attainment of approved objectives.

Management policy

Development, evaluation and co-ordination of basic management policies and techniques relating to the organization structure of ministries, and the role and relationships of agencies, boards and commissions • the acquisition and utilization of material resources and services • the utilization of computer technology and information processing • reimbursement of employees for job-related expenditures • co-ordinating and assisting with the implementation of the Committee on Government Productivity's recommendations.

Operational review

Provide independent and objective management-oriented reviews of the activities carried out by the various ministries and agencies to assist the line managers in improving the general level of their program management • monitor administrative policy to ensure adherence by ministries and agencies to the intent of service-wide administrative policies • recommend improved management practices and revision or clarification of policies where appropriate • follow up to ensure that recommendations are implemented.

civil service commission

Hon. Eric A. Winkler

Administration of The Ontario Public Service Act and the recommendation of regulations thereunder • evaluation and classification of positions in the Civil Service and determination of entry qualifications • recommendation to the Government of salary ranges for those classifications which are not determined by the collective bargaining process • recruitment of qualified people and their assignment to positions • provision, assistance in or co-ordination of staff development programs throughout the Civil Service, including French language training courses for Public Servants and others • through a process of collective bargaining, mediation and arbitration, establishes levels of compensation and terms of service acceptable to those employees who are members of a recognized bargaining unit • maintains equitable grievance and appeal procedures as required by law.

office of provincial auditor

F. Norman Scott, C.A.

Audit of receipts and disbursements of public moneys forming part of the Consolidated Revenue Fund • audit of financial statements of the Province of Ontario as set out in the Public Accounts • reporting annually to the Assembly • audit of ministry and quasi-judicial agencies where authorized in the related governing statutes.

government services

Hon. James W. Snow

Provision of accommodation

Accommodation for Ministries and Agencies of the Ontario Government obtained by purchase, lease or construction • land surveying, land purchase, planning, design and construction of buildings • negotiation of leases • sale of land and buildings.

Upkeep of accommodation

Management and improvement of buildings owned by the Ontario Government • maintenance, repairs and minor alterations • safety program.

Supply and services

Supply consolidation, purchasing and assets disposal services • publication service, print procurement and duplicating • central stationery and office supplies • mail, trucking, telephone and telecommunication services • translation bureau and Citizens' Enquiry • protocol services, services to the Legislature, including accommodation services in Legislative Assembly Building • Legislative Library and press clipping service • employee benefits administration and payroll services • other payment services, cheque reconciliation and debt collection services • records management and storage • insurance and risk management • analytical and technical services pertaining to the above.

Management and information services

Management consulting, systems and computer services to all Ministries and Agencies of the Ontario Government • operational and financial systems design and implementation • EDP programming services • operation of computer centres.

housing

Hon. Donald R. Irvine

This Ministry is charged with the responsibility of ensuring an adequate housing supply at reasonable cost within a sound planning framework, committing at the same time, the concentrated support of all other areas of government that have a direct or indirect influence on the housing sector.

Ministry administration

Program planning and evaluation and management services coordination • oversees communications, audit, legal branches and policy and program development.

Ontario housing action program

Provides financial and other incentives to municipalities and housing industry to accelerate the supply of moderate cost new housing.

Housing development

Consists of two Crown Corporations, Ontario Housing Corporation and Ontario Mortgage Corporation • develops assisted rental housing for low income and ownership housing for middle income • finances moderate income dwellings • assists co-operatives and non-profit housing ventures • assembles, services and markets land.

Community planning

Approves official plans, subdivision plans and other land use proposals • directs provincial commitment to various community renewal programs • administers North Pickering and Haldimand-Norfolk new town projects.

Home buyers grant program

Provides grants to first-time buyers of new and existing housing to facilitate home ownership.

revenue

Hon. Arthur K. Meen

Tax administration

Administration of Ontario's principal tax statutes • corporations tax • income tax • gasoline tax • motor vehicle fuel tax • tobacco tax • succession duties • retail sales tax • land transfer tax • race tracks tax • provincial land tax • land speculation tax • gift tax.

Municipal assessment

Valuation of all real property at market value • business assessments • preparation of assessment rolls and notices and carrying out annual enumerations, providing an equitable base for municipal taxation, allocation of school support and grant structures • producing preliminary voters lists and juror selection lists.

Guaranteed income and tax credit

Administration and transfer payments of the Guaranteed Annual Income System providing a basic level of income security for senior citizens resident in Ontario • administration of the Ontario Tax Credit Program providing property tax credits, retail sales tax credits and pensioner tax credits to Ontario residents.

Savings offices

21 branches of the Province of Ontario Savings Office providing interest-earning savings deposit services to the public.

treasury, economics and intergovernmental affairs

Hon. W. Darcy McKeough

Office of intergovernmental affairs

Advises on Ontario's participation in Canada's external activities • monitors Ontario's relations with other governments and develops proposals for improvement of intergovernmental machinery • assesses and advises on provincial relations with municipalities and maintains contact with Municipal Liaison Committee.

Office of economic policy

Advises on medium- and long-term provincial socio-economic policies and strategies • monitors and forecasts economic and social developments in Ontario, Canada and elsewhere • examines short-term economic and social consequences for Ontario of programs of other governments and the private sector.

Fiscal policy division

Plans taxation policy and tax reform programs • plans and co-ordinates the provincial budget and monitors its performance • provides a comprehensive view of municipal fiscal operations and examines municipalities' independent financial capacities • integrates Ontario's intergovernmental fiscal relations and examines fiscal redistribution policies.

Treasury division

Reports operations and position of province to Legislature and public • prepares public accounts • develops and implements policies on finance, debt management and use of provincial cash resources • manages cash flow by monitoring income and expenditure • acts as custodian of government securities • co-ordinates and implements basic concepts of management control.

Urban and regional planning

Develops policy recommendations on regional planning strategy and prepares comprehensive plans for the five provincial planning regions • develops proposals for local government reform and designs regional municipalities • develops provincial policies for community planning and co-ordinates planning objectives of local governments.

Local government services

Provides advice and assistance to officials of municipalities, local boards and commissions and the general public • administers federal, provincial and municipal loans, subsidies and grants to reduce property tax burden • supervises operations of Ministry's regional offices at Ottawa, Toronto, London, Sudbury and Thunder Bay.

Central statistical services

Provides ministries and agencies of the Ontario Government with central data collection, analysis and dissemination for planning and policy formulation and makes available statistical information to users outside government.

Ministry agencies

The Ontario Economic Council carries out research on issues of public policy, provides independent advice to the government and promotes informed public discussion on economic affairs.

The Niagara Escarpment Commission undertakes planning activities and programs to maintain the Niagara Escarpment and the land in its vicinity substantially as a continuous natural environment and ensures that any development which occurs is compatible with that natural environment.

The Ontario Land Corporation serves as a source of finance and an assembler of land for new towns and industrial parks to be developed with other government ministries and agencies and the private sector.

JUSTICE POLICY FIELD

justice policy

Hon. John T. Clement, Q.C.

This Cabinet Committee chaired by the Provincial Secretary for Justice is responsible for the development and co-ordination of the policy recommendations to Cabinet from within the Justice Policy field.

attorney general

Hon. John T. Clement, Q.C.

The law officer of the crown

The Attorney General exercises the duties and responsibilities of the Law Officer of the Crown as prescribed by law and usage and supervises the administration of justice in the Province. The functions of this office include the following:

Crown legal services

Advice to the Government upon all matters of law connected with legislative enactments and upon all matters of law referred to the Minister by the Government • advice to the heads of the ministries and agencies of Government upon all matters of law connected with such ministries and agencies • conduct and regulation of all litigation for and against the Crown or any ministry or agency of Government including the responsibility for the direction of prosecutions under the Criminal Code and Provincial legislation.

Legislative services and research

Drafting, reviewing, publishing and consolidating Ontario legislation • advice to the Legislature, Government ministries and agencies and the public on matters of legislation • research in the law and in the administration of justice including formulation of recommendations for remedial legislation.

Administration of judicial trusts

Administration of judicial, minors' and mentally incompetent persons' trusts • supervision of charitable financial interests • protection and preservation of reversionary interests of the Crown in right of Ontario.

Administration of the courts

Management of the civil and criminal courts of Ontario including the administration of all courts and judicial offices and the development of court rules and procedures.

Legal aid and compensation to victims of crime

Assistance in the protection of civil rights of Ontario citizens by the financing of the Legal Aid program and providing compensation for victims of crime.

Administrative tribunals

Impartial investigation services and compensation in matters of expropriation through the Land Compensation Board and the Board of Negotiation • provision of an appeal procedure for the review and administration of equity in property evaluations through the Assessment Review Court • implementation of a sound municipal development through the Ontario Municipal Board.

consumer and commercial relations

Hon. Sidney Handleman

Ministry administration program

Consists of a number of activities providing administrative and support services for the operating programs (i.e. personnel, financial and administrative services), research and public information services.

Ontario Securities Commission program

Review and acceptance of prospectuses filed with the Commission • investigation of securities transactions, process and review of applications received for registration and the publishing of Insider Trading Reports required by The Ontario Securities Act and Regulations.

Ontario Pension Commission program

Preservation of pension benefit entitlements; improvement of the quality and administration of pension plans.

Financial institutions program

Examination of Insurance and Loan and Trust Companies, Credit Unions and Cemeteries establishing that they are capable of meeting their obligations, that those who work in the industries are knowledgeable, competent and trustworthy and that the industries concerned are operated in the best interests of the public and with full and proper disclosure.

Motor Vehicle Accident Claims Fund

Compensation for innocent victims of the uninsured or unidentified motorist with respect to an accident occurring in the Province of Ontario.

Business Incorporations program

Issuance of certificates, letters patent and supplementary letters patent effecting incorporation and amendments thereto; provision of administration, legal, applications control, name searches, engrossing and records maintenance services.

Business Practices program

Licensing and regulation of Itinerant Sellers, Motor Vehicle Dealers and Salesmen, Travel Agents, Real Estate Brokers and Salesmen, Collection Agencies; operation of the Consumer Protection Bureau, administering legislation respecting pyramidal schemes and paperback and periodical distributors.

Commercial Registration Appeal Tribunal program

Provides for a system of appeals from the decisions of Government administrators affecting individual rights.

Technical Standards program

Public safety services • inspection of elevating devices • pressure vessels • safe and effective plumbing installations • examination, certification of applicants who qualify as operating engineers • licensing the operation of elevating devices and pressure vessels • handling and use of hydrocarbons • uniform building standards and upholstered and stuffed articles.

Regulation of Horse Racing program

(Administered by the Ontario Racing Commission under The Racing Commission Act.) Governing, direction, control and regulation of horse racing in Ontario • registration of colours, contracts, and partnerships • employment of stewards, veterinarians, judges and clerks at the tracks • payment of grants to encourage the horse racing industry in Ontario.

Theatres program

Maintenance of a reasonable standard of decency in films to be exhibited.

Lotteries program

Minimization of unsatisfactory practices in the operation of lotteries permitted under the Criminal Code.

Property Rights program

Assurance that ownership of an encumbrance affecting real and personal property to be properly retained and readily ascertained.

Registrar General program

Registration and issuance of certificates for births, marriages and deaths • statistics, issuance of licences, banns and authorization for marriages.

correctional services

Hon. R. T. Potter, M.D.

Correctional program

- Adults:
Supervision by probation/parole officers of adults put on probation by the courts • custody, for prescribed periods, of persons sentenced by the courts to serve less than two years • provision of training and treatment services to persons in custody that will afford them better opportunities for successful personal and social adjustment • modification of the attitudes of persons in custody to assist them towards more law abiding behaviour in the community.

Services to persons in custody

- Women:
“Therapeutic community” treatment • clinical services • educational services • vocational training services • library services • religious services • recreational programs • aftercare services • probation services.
- Men:
Educational services • vocational training services • training in good work habits • library services • religious services • recreational programs • clinical services • behavioural modifications • aftercare services • probation services. Operation of 12 Community Resource Centres for selected offenders, on employment or educational temporary absence, or Native persons who would otherwise be incarcerated in northern institutions.

Provincial adult institutions

1 centre for women • for men: 7 correctional centres, 5 adult training centres, 1 clinic, 1 institute and 4 forestry camps • 36 jails for men and women • 3 regional detention centres.

Program for juveniles

Supervision by probation/aftercare officers of juveniles put on probation by the courts. Comprehensive program to meet the needs of each child • educational programs • clinical and medical services • recreational programs • library services • religious activities • aftercare services • probation services.

Training schools

10 training schools for juveniles (including 1 Roman Catholic school), 2 D.A.R.E. camps (Development through Adventure, Responsibility and Experience) • 1 reception and assessment centre.

37 group homes for young persons not requiring the more structured setting of a training school.

solicitor general

Hon. John T. Clement, Q.C.
Acting Solicitor General

The Solicitor General exercises the duties and responsibilities of the administration of law enforcement and public safety in the Province.

Ontario Police Commission

Assistance in co-ordinating the work and training of police forces throughout the Province as provided for by statutes and regulations • administration of quasi-judiciary, regulatory and investigative powers throughout the Province • maintenance of a system of statistical records for research studies of criminal activities and related matters to aid law enforcement • advice to Boards of Commissioners of Police, Police Committees of Municipal Councils, other police authorities and Chiefs of Police on all matters related to policing • planning and development of integrated support services needed by police forces to combat criminal elements • operation of the Ontario Police College in Aylmer.

Ontario Provincial Police

Policing and patrolling of all King's Highways including accident investigation and conduct of traffic safety education programs • general policing in those parts of Ontario where there is no municipal police force • assistance to municipal police forces with enforcement duties • specialist services in all aspects of criminal investigations, under-water search and recovery, bomb disposal, etc. • marine enforcement of Ontario's lakes and rivers • license of private investigators and security guards • central registry of licensed firearms and shooting clubs • telecommunication network between Ontario Provincial Police locations and other police agencies.

Ontario Police Arbitration Commission

Bargaining/arbitration procedures under the Police Act • maintenance of a panel of part-time arbitrators • administrative matters in connection with the conduct of arbitration, research and evaluation of the effectiveness of this system and recommendations for improvement.

Public Safety Division

Specialized and systemized analyses to present facts to the Province's judicial system • plans for peacetime and wartime emergencies • promotion of adequate standards for fire safety services • determination of causes of fires and review of building plans in terms of fire safety standards • provision of the coroners' system • determination of causes of death in unnatural circumstances to prevent or minimize future loss of lives • services and expertise in forensic sciences and pathology • providing designated schools of anatomy with sufficient materials for teaching.

RESOURCES DEVELOPMENT POLICY FIELD

resources development policy

Hon. Allan Grossman, C.L.U.

This Cabinet Committee, chaired by the Provincial Secretary for Resources Development, is responsible for the development and co-ordination of policy recommendations within the Resources Development field.

agriculture and food

Hon. William A. Stewart

Consultative services

Professional advice and technical assistance on all facets of the agriculture and food industry including use of food land, to producers, service industries and consumers • services to farmers on farm management and efficient production of high quality livestock and crops • inspection, regulation, technical assistance to milk producers • legislation enabling commodity marketing boards to market the full range of farm commodities • farm product inspection services ensuring quality and freshness for consumers • domestic and foreign market development for Ontario farm products; consumer education programs for maximum utilization of Ontario grown products • comprehensive insurance coverage on a wide range of crops • ARDA programs for maximum utilization of human, land and water resources • recruitment of people for the farm labour work force • training of homemakers and 4-H Club members in domestic sciences, household budgeting and community improvement • assistance to agricultural fairs, exhibitions, plowing matches and livestock shows • licensing of community livestock sales • regional veterinary laboratories • meat inspection services • animal health services • animal disease and dead animal disposal regulation • agricultural economic research and statistical services • market information on agricultural commodities.

Provincial facilities

Colleges of agricultural technology at Ridgetown, Centralia, Kemptville and New Liskeard • research stations at Vineland, Simcoe and Bradford • pesticides laboratory at Guelph • Ontario Agricultural Research Institute • veterinary laboratories at Ridgetown, Centralia, Guelph, Brighton, Kemptville and New Liskeard • major livestock research facilities at Elora and Arkell contracted to the University of Guelph • Ontario Agricultural Museum, Milton.

Grants and loans

Drainage, livestock, soil and crop grants and subsidies • grants to agricultural and horticultural societies and associations • farm improvement grants • loans to agricultural co-operatives.

energy

Hon. Dennis R. Timbrell

Reviews energy matters on a continuing basis • advises the Government on matters of policy • co-ordinates the energy-related activities of the Government • provides policy direction to Ontario Hydro and technical support to the Ontario Energy Board • the Ontario Energy Board, following public hearings, approves and fixes rates for the sale, transmission, distribution and storage of natural gas • reports on proposed increases in electric power rates • grants leave to expropriate land and construct pipelines • approves municipal gas franchise agreements.

environment

Hon. William Newman

Environmental assessment

Assessment of the current and potential effects of various pollutants • development of environmental standards and abatement strategies and ensuring that environmental safeguards are incorporated into land use policies • applied research in the areas of water and waste water treatment.

Environmental control

Ensuring that all contaminants emitted into the environment are within Ministry standards by on-site surveillance and inspection • implementation of new abatement programs • issuance of control orders and investigation of public complaints • development and management of sewage and water treatment plants.

Resource recovery

Development of a Provincial policy for the recovery and utilization of the components of solid waste and development of specialized techniques for the restoration and enhancement of environmental quality.

Grants

Payments towards the cost of sewage and water facilities for certain Municipalities qualifying for assistance • subsidies to Provincial Health Units under Part VII of the Environmental Protection Act • grants under the Pollution Abatement Incentive Act to encourage the installation of pollution abatement equipment.

industry and tourism

Hon. Claude Bennett

Industry

Assist companies to find new business opportunities • search out and apply new technology and processes • expansion of industrial facilities • establish new operations • up-to-date local information to reduce company costs and time • data on transportation, utilities and other services • material availability and sources, labor availability and rates • offer advice on plant layout and materials handling systems • involvement in waste processing and recycling • technology seminars and missions • research library • manufacturing opportunities and bulletin • joint ventures and licensing arrangements • product prospecting missions • manufacturing days program.

Trade

Assist in distribution methods • on-site consultation • forums and conferences • trade shows and exhibitions • Eedee and Trillium awards program • commodity sector studies • licensing and joint ventures with other provinces and countries • sourcing Ontario-made products • plan sales marketing programs for companies • trade missions • income buyer, agents and manufacturers program • export seminars • economic studies of export markets • tariffs and freight forwarding information • market and export studies.

Tourism

Consultation with established and new tourism operators • advice to potential tourism developers • surveys on visitor habits, destination and expenditures, recreational activities and facilities • supports 12 regional travel associations • promotion, publicity and advertising • film library • travel counselling services • convention promotion.

Small business operations

Maintains regional and field offices in the province and around the world • industrial development officers provide business counselling through government programs and research groups • consulting services on financial assistance • selective placement service of skilled workers • provide information on available industrial sites, income and realty taxes, utilities, transportation • pollution control regulations • provide international counsel • encourage foreign concerns to buy Ontario-made products • joint ventures or licencing arrangements • locate new manufacturing facilities.

Ontario Development Corporation, Northern Ontario Development and Eastern Ontario Development Corporation

Provides financial and advisory services • administer a variety of special incentive loans under the Ontario Business Incentive Program • financial assistance for industrial mortgages, lease-backs, term and venture capital loans, assist tourist industry, consultative services to small business.

Ontario Place Corporation

Operation and continued development of the Ontario Place provincial exhibit and recreational centre.

labour

Hon. John P. MacBeth, Q.C.

Industrial relations

Services to promote harmonious labour-management relations • enforcement and provision of rulings on bargaining rights and unfair practices • mediation and arbitration services on contractual disputes • construction industry review panel.

Safety

Occupational safety services • construction and logging sites and commercial and industrial premises • approval of drawings of new or modified plants, shops and office buildings.

Workmen's compensation

Compensation and pension benefits to injured workmen and their dependants • vocational and medical rehabilitation • safety education services.

Human rights

The Ontario Human Rights Commission provides protection to persons against discrimination in employment, housing and public accommodation • community problem solving in areas where inter-group and human rights problems exist.

Employment services

Enforcement of employment standards to protect the workforce from undesirable employment practices ● hours of work ● vacations with pay ● minimum wages ● overtime and vacation pay ● equal pay for equal work ● notice of termination ● maternity leave ● industrial standards ● fair wages on government contracts.

Employment adjustment services assist in coping with the employment effects of change such as mass layoffs.

Women's programs

Career counselling advisory services ● vocational information for school girls through Women's Bureau.

Promotion of equal employment opportunity in government through the Women Crown Employees Office.

natural resources

Hon. Leo Bernier

Land management

- Lands

The development of comprehensive planning programs for all uses of Crown lands and waters ● land capability inventory for long-range planning and participation and coordination with regional development planning.

Retention and disposal of Crown lands through the development and implementation of land use plans ● conducting and restoration of Crown surveys ● land acquisition for public use.

Administration of the disposal of mining lands including the licensing of prospectors, claim recording administration and judicial services on Crown land.

- Field services

Environmental protection of provincial forest lands and, by agreement, municipal and other private forest lands are protected against damage by fire, insects and disease ● protection of life and property from forest fires ● waste disposal areas ● management of water resources ● water regulation ● construction and maintenance of resource access roads.

- Conservation authorities

Provision of assistance to conservation authorities.

Outdoor recreation

- Fish and wildlife

Habitat improvement ● updating and enforcement of regulations ● recording inventories ● measurement of harvest and participation-establishment of provincial wildlife and fishing areas ● agreements with landowners to provide improved habitat and fishing and hunting opportunities ● production and distribution of hatchery fish.

- Parks

Development and maintenance of numerous water access points, canoe routes ● development, maintenance and operation of the provincial parks system ● planning and development of park

interpretive programs • recreation supply and demand research • establishment of park planning methodology and preparations of park master plans • financial assistance to municipalities towards the acquisition and development of land for parks • advisory services to individuals, organizations and municipalities for park and recreation developments—responsible for the Park Commissions (St. Clair Parkway Commission, Niagara Parks Commission, St. Lawrence Parks Commission).

Resource products

- Mines

Geological reconnaissance surveys of selected areas of the Province by aircraft and detailed ground surveys, geophysical, geochemical and geological mapping services • studies in mineral economics • mineral inventory surveys • analytical and mineralogical laboratory services. Inspection of oil and gas wells and mines for health and safety hazards • inspection and safety testing of mining equipment and cables.

- Forests

Timber resources management for optimum sustained yield of forest products including timber, wildlife, recreation and aesthetics • the production and planting of trees • inventory and planned management of forests • advice, management assistance and financial aid to owners of woodlands • management of forests on behalf of Conservation Authorities and municipalities.

- Commercial fish and fur

Services to the commercial fishing and fur industries.

transportation and communications

Hon. John R. Rhodes

The Ministry is responsible for planning, construction and maintenance of an integrated and balanced transportation system within the Province. This includes services embracing free-ways and highways, commuter rail, bus and dial-a-bus, air services and airport facilities, ferry services and various electronic communications. It is also responsible for the examination, licensing and control of all drivers and vehicles in the Province.

Planning and programming

Analysis, evaluation and justification of surface transportation projects • definition of project priorities in relation to available funds • highway construction • experimental projects for transit development • research into various modes of transportation • environmental and ecological planning • accident experience and causes on freeways and other types of highways.

Air services and airports

Operation of norOntair, a STOL demonstration project in Northeastern and Northwestern Ontario • financial assistance to municipalities, corporations and individuals for establishment, extension and improvement of airport facilities • intra-provincial air transport studies • appeal services.

Rail transportation

Operation and administration of the Ontario Northland Railway and associated bus and truck freight transport systems under the auspices of the Ontario Northland Transportation Commission • other services include operation of the excursion train "Polar Bear Express" and the excursion vessel "Chief Commanda", the Tobermory-South Baymouth ferry service using its newest ship, "The Chi-Cheemaun", a restaurant and hotel, and a communications network in Northern Ontario.

Lakes and seaways

Collection and analysis of data relating to Great Lakes ports and seaways • economic and technical studies • appeal services.

Communications

A telecommunications policy to represent the interests of Ontario's citizens in matters associated with radio and television broadcasting • educational television • special purpose video • data transmission systems • telephone and telegraph services • the use of communications satellites.

SOCIAL DEVELOPMENT POLICY FIELD

social development policy

Hon. Margaret Birch

This Cabinet Committee, chaired by the Provincial Secretary for Social Development, is responsible for the development and coordination of policy recommendations within the Social Development Policy Field.

colleges and universities

Hon. J. A. C. Auld

Grants

Grants to provincially-assisted universities and colleges for operating purposes and debenture repayments • grants to church-related institutions for operating purposes • grants to compensate for municipal taxation • loans to provincially-assisted universities through the Ontario Universities Capital Aid Corporation (which purchases debentures from the Universities) to finance construction of physical facilities • grants to university students through the Ontario Student Awards Program, Ontario Graduate Fellowships and other programs • grants to cultural institutions for operating purposes • grants for Training in Business and Industry • grants for Management Development Program • grants for manpower retraining.

Special studies

Enrolment forecasting • research on space utilization and space management for the universities • publication of HORIZONS and AFTER 8, guides to educational opportunities in Ontario beyond the secondary school level • studies involving assessment of the operating grant formula • studies concerning capital formula allocations • research into trends and developments in higher education • studies of new approaches to student aid • studies involving manpower retraining.

Provincially-assisted universities and colleges

Brock University • Carleton University • University of Guelph • Lakehead University • Laurentian University • McMaster University • Ontario College of Art • University of Ottawa • Queen's University • University of Toronto • Trent University • University of Waterloo • Wilfred Laurier University • University of Western Ontario • University of Windsor • York University • Ontario Institute for Studies in Education • Ryerson Polytechnical Institute.

Colleges of applied arts and technology

Algonquin College • Cambrian College • Canadore College • Centennial College • Conestoga College • Confederation College • Durham College • Fanshawe College • George Brown College • Georgian College • Humber College • Lambton College • Loyalist College • Mohawk College • Niagara College • Northern College • St. Clair College • St. Lawrence College • Sault College • Seneca College • Sheridan College • Sir Sandford Fleming College.

Other institutions

Art Gallery of Ontario • Royal Botanical Gardens • Royal Ontario Museum • The Law Society of Upper Canada (Bar Admission Course) • Ontario Science Centre • Ontario Council for the Arts • Ontario Educational Communications Authority • Ontario Heritage Foundation • McMichael Canadian Collection of Art • Ontario Libraries and Local Museums • Elliot Lake Centre for Continuing Education.

community and social services

Hon. René Brunelle

Family benefits

Provincially administered, long-term financial assistance to persons in need who are elderly, disabled, blind, mothers or unemployed fathers with dependent children • hospital and medical insurance for eligible Old Age Security recipients • dental care for recipient families with children.

Municipal welfare

Municipally administered, provincially subsidized short-term financial assistance under General Welfare Assistance Act to persons and families temporarily unable to support themselves • subsidies to Municipalities for administration costs and for purchased services of visiting homemakers and nursing services.

Special services

Family counselling services to help persons deal with social problems and achieve self-support • grants to voluntary agencies offering credit/debt counselling services • financial assessment of applicants for legal aid.

Rehabilitation services

Rehabilitation services for mentally, physically or emotionally handicapped persons, to develop, restore or improve their working capacity and to place them in safe, satisfying employment.

Residential care and services for adults

Provincial assistance in the form of capital and operating grants to Municipal and Charitable Homes for the Aged, rest homes, elderly persons centres, hostels, correctional half-way houses.

Child welfare

Adoption Services and Provincial assistance to Children's Aid Societies providing services for the care and protection of dependent children, and services for their families to prevent family breakdowns and, where possible, re-establish broken homes.

Children's institutions

Capital and operating grants to voluntary organizations providing institutional care for mentally retarded children and adults, unwed mothers, and children with emotional difficulties.

Day nurseries

Licensing of day nurseries and Provincial assistance to municipalities or organizations providing day nursery services.

Citizenship

Point of entry reception and information services for newcomers • special programs related to integration of newcomers • classes in English and Citizenship • training programs and training materials.

Community development

Promotion of citizen participation in community affairs • educational programs concerning decision-making models and material relating to effective citizen and community involvement • aid to community groups and agencies through financial assistance and extensive staff consultations • community conferences, information and advice centres.

Indian community

Special services to the Native people and their leaders in the management of their own affairs • financial assistance for Indian Community projects such as communications, cultural and social, economic development and other services.

Youth and recreation

Certification of recreation directors • advice and assistance to municipalities on program development, leadership training and organization development • financial assistance to Regional and Provincial recreation organizations • capital grants to communities for the establishment of community centres/recreation facilities.

Special community projects

Employment opportunities for young persons in community projects and social service activities.

Athletics commission

Supervision of professional and amateur boxing and wrestling in Ontario • consultation with athletic organizations and assistance to amateur sport in the form of equipment, materials, awards, rules and regulations, plans and advice.

culture and recreation

Hon. Robert Welch, Q.C.

This new Ministry was established January 14, 1975 with objectives which include:

- preserving and maintaining the cultural heritage of residents of Ontario with full recognition of their diverse traditions and backgrounds;
- promoting access to the benefits of citizenship and of active involvement in the cultural and recreational life of the province; and
- stimulating the development of new forms of cultural expression and promoting the concept of individual and community excellence.

Existing programs and activities continued to be administered and financed under various other ministries for the balance of the fiscal year.

education

Hon. Thomas L. Wells

Elementary and secondary education

Development of the aims and objectives of public education in Ontario ● resource and consultative services to teachers and school boards regarding curriculum and school organization ● assessment, development and publication of approved curriculum guidelines ● assistance in the development and appraisal of courses of study at the local level ● evaluation of textbooks and other learning materials to determine their suitability for approved programs ● support and promotion of educational research activities through contractual agreements, grants-in-aid, and the grant to the Ontario Institute for Studies in Education ● workshops and summer courses for teachers for professional upgrading and improvement of teaching ● operation of teachers' colleges and liaison with teacher education in universities ● consultative service and financial assistance to the Ontario Educational Communications Authority ● certification of teachers, principals and supervisory officers ● issuance of student diplomas and certificates ● consultation on special education classes for emotionally disturbed, neurologically impaired and retarded children ● investigation of problems of culturally deprived children ● Ministry-operated residential schools for the blind and the deaf ● correspondence classes for Ontario residents out of reach of schools ● staffing teachers of Hospital Schools.

Grants and finance

Research into building costs, enrolment trends, school design and construction ● approval of school building programs ● distribution of operating grants from the Provincial Treasury to elementary public and separate school boards and boards of education ● review of spending programs of school boards and advice to them.

health

Hon. Frank S. Miller

Ministry support services program

Provides administrative and support services for the operating programs.

Supports and complements medical and other practitioners and private and public health agencies in the promotion of health and the prevention and control of disease. Provides for the development and management of: the hospital system ● the homes for special care, extended care and home care operations ● the diagnostic treatment, training and rehabilitation services for the mentally ill in facilities operated by local agencies ● the administration, operation and control of the Ontario Health Insurance Plan.

Promotion and protection program

Provides financial assistance to local health agencies and health resources development.

Treatment and rehabilitation program

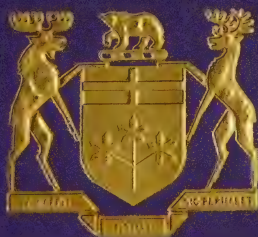
Provides financial assistance for the operation of hospitals and related facilities • payments under the following programs: homes for special care • extended care • home care • community mental health • Ontario Health Insurance Plan. Development and management of the Ministry facilities providing: preventative, diagnostic, treatment, training and rehabilitative services for the mentally ill • laboratory testing service.

Ministry agencies

Alcoholism and Drug Addiction Research Foundation: research in alcoholism and addiction to substances other than alcohol; providing treatment and rehabilitation programs • Ontario Mental Health Foundation: research, diagnosis and treatment in mental health • Ontario Cancer Treatment and Research Foundation: diagnosis, treatment and research in cancer • Ontario Cancer Institute: operates a hospital for cancer diagnosis, treatment and research.

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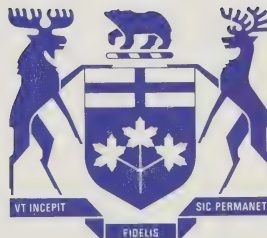
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PROVINCE OF ONTARIO

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Ontario

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PROVINCE OF ONTARIO

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HON. W. DARCY McKEOUGH, Treasurer of Ontario

It is with pleasure that I present the 1976 Financial Report of the Province of Ontario.

During the significant economic slowdown of 1975 the Government introduced strong fiscal measures which led Ontario back toward a recovery position by the end of the calendar year. These measures were purposely temporary in nature to avoid locking the Province into higher spending levels.

This report highlights the major aspects of Ontario's finances and reports in a summary form the final results for the fiscal year ended March 31, 1976. The Public Accounts submitted to the Legislature annually should be referred to for detailed information. The policy aspects of Ontario's financial operations are discussed in the annual Ontario Government Budget.

Comments or queries will be welcome and should be directed to the Treasury Division of the Ministry of Treasury, Economics and Intergovernmental Affairs.

A handwritten signature in dark ink, appearing to read 'W. Darcy McKeough'. The signature is fluid and cursive, with a horizontal line underneath it.

Toronto, September 1976

Copies may be obtained from the
FINANCIAL INFORMATION AND ACCOUNTING POLICY BRANCH
MINISTRY OF TREASURY, ECONOMICS AND INTERGOVERNMENTAL AFFAIRS
Frost Building, Queen's Park
Toronto, Ontario M7A 1Y7

ONTARIO FINANCES 1975-76

To stimulate the Ontario economy and counteract external recessionary forces, the Province implemented a series of tax cuts and incentive programs during 1975. These measures in brief were:

- a reduction of the retail sales tax from 7 per cent to 5 per cent from April 7 to December 31, 1975;
- rebating to consumers the entire sales tax on new car purchases from July 7 to December 31, 1975; and
- providing a \$1,500 grant to first time homebuyers, from April 7 to December 31, 1975.

By the end of 1975, the Ontario economy was on a firm recovery path, and as of January 1, 1976 the homebuyers' grants program ended and the retail sales tax was returned to 7%. The total cost of these temporary measures is estimated at \$590 million. As a longer term measure to encourage investment and increase productivity, the retail sales tax was also removed from machinery and equipment purchases delivered before December 31, 1977. A full presentation of the economic recovery in Ontario is available in Budget Paper A of the 1976 Ontario Budget.

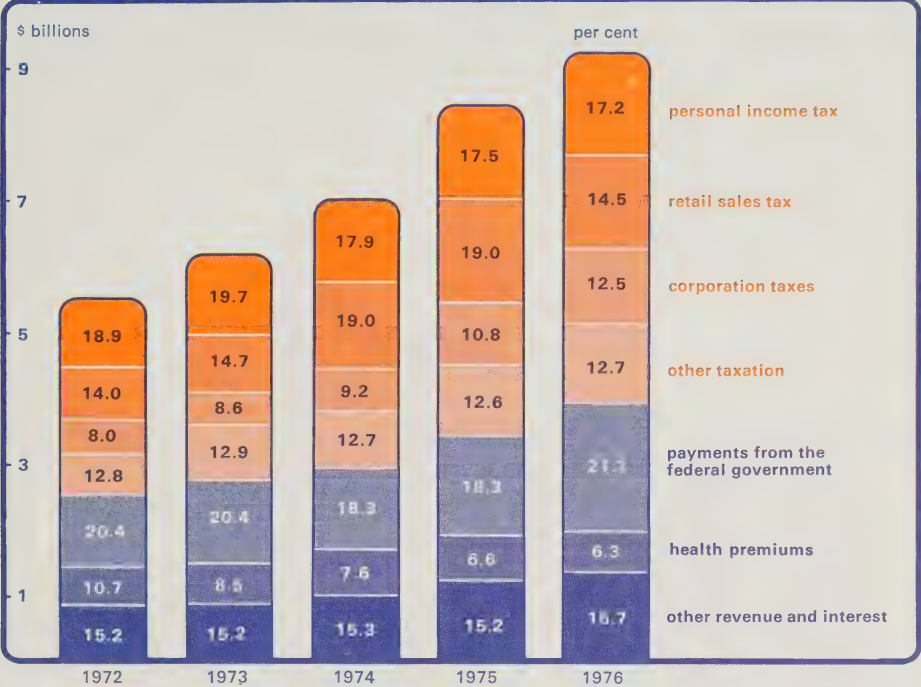
Budgetary expenditure in the year to March 1976 increased to \$10,632 million from \$8,821 million the previous year due in large part to the increased costs of social programs. In support of these costs budgetary revenue, after the effect of the temporary measures, yielded \$9,152 million against \$8,275 million the previous year.

Through its lending and investment actions, the Province continued its financial support of other jurisdictions, most notably Ontario Hydro, and the education, housing and environmental fields. The net new loans and investments were \$1,056 million, up from \$1,022 million the previous year.

The Province placed three public issues of \$150 million each in the year. A further \$325 million in net financing was obtained through the re-introduction of a 91 day Treasury Bill program. These additional resources financed the cost of the economic measures and improved the Province's liquid reserve position.

BUDGETARY REVENUE

major revenue sources



taxation

In 1975-76 the growth in the Province's revenue from taxation was interrupted when the Government introduced a temporary cut in retail sales tax and a rebate of the retail sales tax on new cars. These measures are estimated to have reduced the revenue from retail sales tax by \$500 million. The yield in personal income tax was affected by slower growth in personal income during 1975 and by the effect of indexing. The Ontario tax credit program which relieves the burden of sales taxes and municipal property taxes on the elderly and families with modest incomes is delivered through the income tax system. The program cost, which is charged against personal income tax revenue, increased by \$85 million to \$391 million for the year.

These factors were partially offset by a continued buoyant growth in corporation taxes from \$892 million to \$1,140 million. In addition the Province received revenue guarantee payments from the federal government amounting to \$255 million as against \$49 million in 1974-75. Revenue guarantee payments compensate the Province for a reduction in provincial income taxes as a result of income tax changes introduced in 1972 by the federal government.

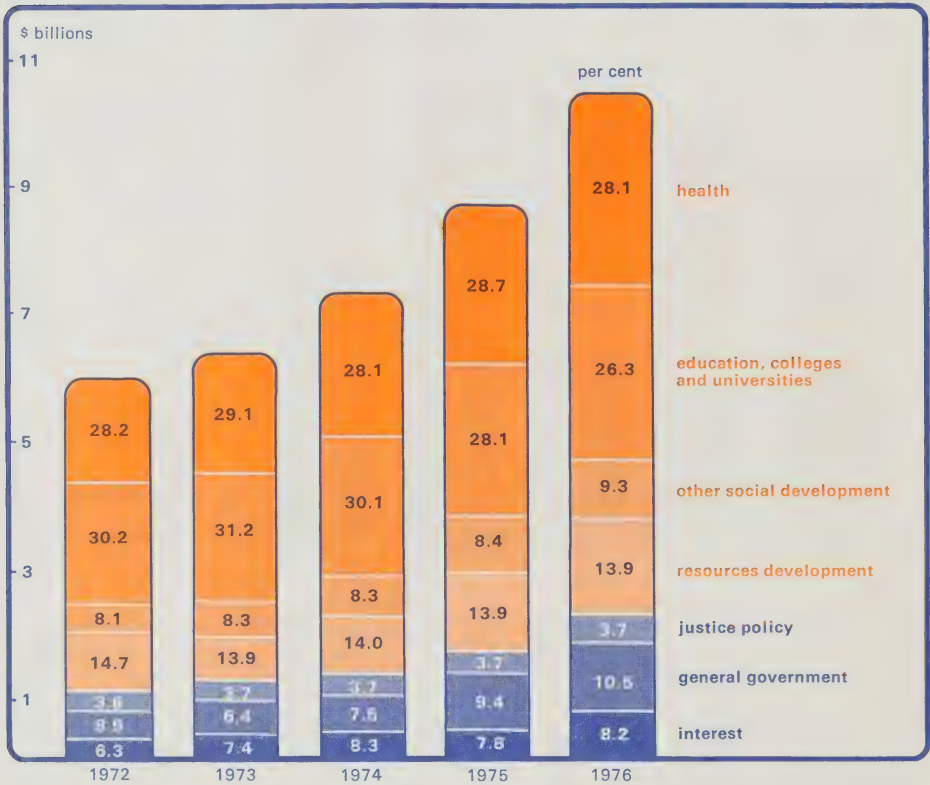
federal government payments

The federal government assists the Province in financing a wide variety of health, education and welfare programs through cost-sharing agreements and payments for these programs rose to \$1,930 million from \$1,517 million in the previous year. The largest increase came in the hospital insurance agreement where the Province's own costs increased by \$358 million resulting in a \$197 million increase in federal government contributions. The next largest increase was \$144 million under the Canada Assistance Plan which shares 50% in the cost of specified social welfare programs.

BUDGETARY EXPENDITURE

expenditure functions

The Province of Ontario administers its responsibilities through a number of ministerial portfolios which are grouped into policy fields for co-ordination of programs. The chart below illustrates the levels of budgetary expenditure by policy field for a five year period. The statement of expenditure on page 15 reports the comparative level of expenditure by ministry for the fiscal year.



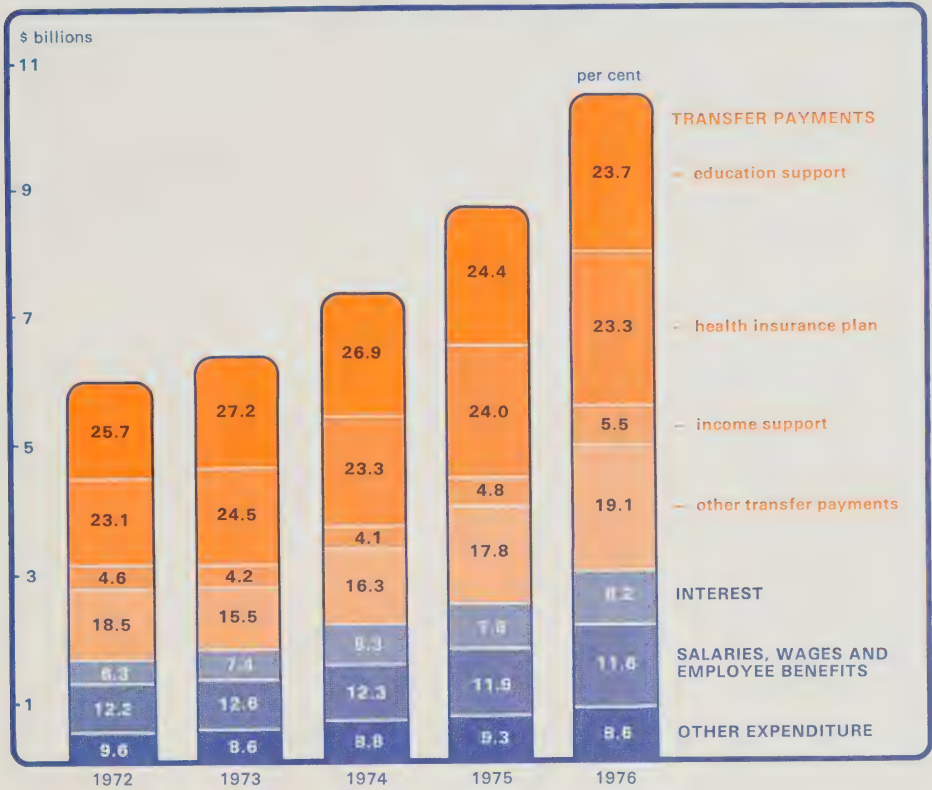
Whilst budgetary expenditure has grown considerably in the last five years, an analysis of the expenditure into the four major policy fields of the government shows that each policy field has largely maintained its proportion of total expenditure. Though there has been much criticism of "expenditure ceilings" and "cut-backs", the chart shows clearly that the aim of these fiscal restrictions is to prevent some sectors from absorbing a greater proportion of available funds rather than reduce their absolute levels of expenditure.

Three minor trends are discernible from the chart. Other social development increased in the last year due to the creation of the Ministry of Culture and Recreation and its support of heritage, arts, multicultural groups, community information and sports and fitness. General Government includes unconditional grants paid to municipalities which were running at record levels. Education, Colleges and Universities has been showing a slow decline and is a reflection of the decreasing primary school enrolment.

Interest on the provincial debt has been held to a level proportionately lower than in 1974.

major components

Almost 72% of provincial expenditures are in the form of transfer payments, i.e. grants, subsidies and allowances paid to persons, agencies and other government bodies. Of the balance of provincial expenditures, the major components are employees' salaries and related costs and interest paid on debt obligations.



education support payments

The Ministry of Education, responsible for primary and secondary education in the Province, administers a school board finance policy which provided for support payments of \$1,575 million to cover approximately 60% of education costs. The balance of school board costs is raised by property taxes collected at the municipal level of government. In March 1976 the elementary and secondary school population in Ontario was 1,400,000 and 600,000 respectively. The statistics for recent years show a decreasing elementary school population, while secondary school enrolments are still increasing marginally but are forecast to peak in 1977.

The Ministry of Colleges and Universities is responsible for post-secondary education. The fifteen universities in the Province received in total \$650 million in support payments which amounted to approximately 80% of costs with the balance coming mainly as fees from 150,000 full-time and 75,000 part-time students. In the latter half of the 1960's the Province initiated a community college concept to fill specific post-secondary educational needs in the applied arts and technical fields. The \$301 million in support payments to these community colleges covered approximately 87% of costs with the balance being paid by student fees. Total enrolment across the Province is 75,000 full-time and more than 100,000 part-time students.

— continued

major components—continued

ontario health insurance plan

During the year the plan paid \$742 million to physicians, \$1,634 million for the operations of hospitals and ambulance services and \$100 million for extended health care and home care assistance. This total of \$2,476 million accounted for 23.3% of all budgetary expenditure. The plan was partly funded by federal government contributions of \$1,136 million, and premiums of \$573 million, the balance of \$767 million being funded by general revenue. The hospital services provided 14.6 million patient days to an insured population of 8.2 million, served by some 15,000 medical practitioners who presented the plan with 51 million claims.

In the last two years costs have increased by 45% with the bulk of this increase coming from the operation of hospitals. Although the federal government payments almost kept pace with this increase, OHIP premiums have not, and as a result the funding required from general revenue increased from \$396 million to \$767 million in the period, an increase of 94%. The Treasurer announced premium increases in April 1976 to help restore the former balance of financing sources. Budget Paper B in the 1976 Budget discusses health financing in detail.

income support payments

The Ontario tax credit program is an instrument for delivery of income support to low and modest income families by providing relief from property and sales taxes. As outlined under the commentary on budgetary revenue this program distributed \$391 million in the last year through the mechanism of the income tax system. In addition to the tax credit program the Province's budgetary expenditure in respect of income maintenance programs amounted to \$585 million for a grand total of \$976 million. Of this, the Province paid \$332 million in direct assistance to support over 200,000 individuals who are disabled or unable to provide their own financial support. Another \$105 million in direct assistance was paid as income supplements (GAINS) to more than 250,000 pensioners. The remaining \$148 million of income maintenance payments was paid as subsidies to municipal agencies in support of local welfare costs. The economic environment and the rate of inflation increased the caseload and dictated revisions to rates in the direct assistance programs and as a result payments were \$121 million more than the previous fiscal period. Other social welfare programs experienced similar pressures.

interest

The interest on outstanding debt has grown to \$867 million from \$688 million in the previous year. This increase can be attributed to both an increase in the amount borrowed and higher interest charges. A significant offset to gross interest expense is the interest revenue from loans, advances and investments made by the Province. This revenue increased by \$78 million to \$533 million for the year.

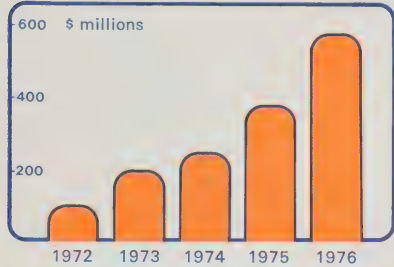
salaries, wages and employee benefits

The majority of the 67,000 employees in the provincial civil service are providing direct services to the public. The services provided vary widely from staffing psychiatric hospitals and mental retardation facilities to development and maintenance of highways, parks and recreation facilities and O.P.P. law enforcement. The cost in 1975-76 was \$1,236 million.

During the fiscal year the government adopted a number of measures to restrain rising expenditures in all areas. One facet in this restraint program was a reduction in the civil service complement. By March 31, 1976, the complement totals had been reduced by more than 3,000 positions to approximately 67,000 with a further 1,000 positions scheduled to be eliminated during 1976-77.

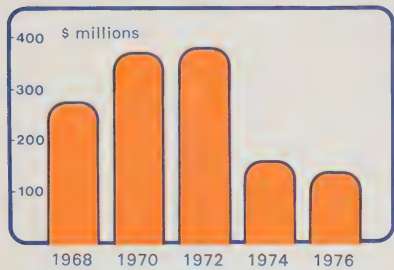
LOANS, ADVANCES AND INVESTMENTS

During the fiscal year the four largest areas of capital investment were advances to Ontario Hydro, education, housing and water treatment and waste control facilities.



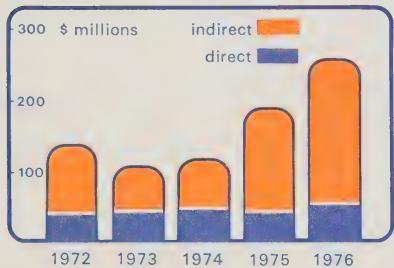
ontario hydro

In addition to guaranteeing Ontario Hydro bonds issued in Canada and internationally, the Province borrows in the U.S. and flows the proceeds directly to Ontario Hydro as a provincial investment. The chart shows the provincial investment through this flow-through financing mechanism.



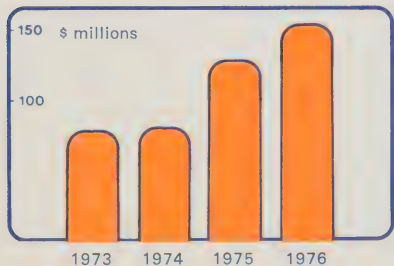
education

Through The Ontario Education Capital Aid Corporation and The Ontario Universities Capital Aid Corporation, the Province has financed a substantial investment in education facilities over the last ten years. The post-war bulge in the population which was moving through the school systems during the 1960's forced a heavy emphasis on education. Consequently, as can be seen in the graph, investment in education facilities moved to high levels until 1972. With facilities then basically in place, investment has since been reduced.



housing

The maintenance of a high standard of housing has always been a priority concern of Ontario. In past years direct construction of units for rental and direct acquisition of serviced lots for the home ownership plan was a major element of the Province's housing strategy. The emphasis now however is aimed at indirect stimulation of the market by making loans available to municipalities, developers and individuals for residential housing purposes. The chart shows that this form of assistance now far exceeds the more traditional methods of direct construction and supply of serviced lots.



water treatment and waste control facilities

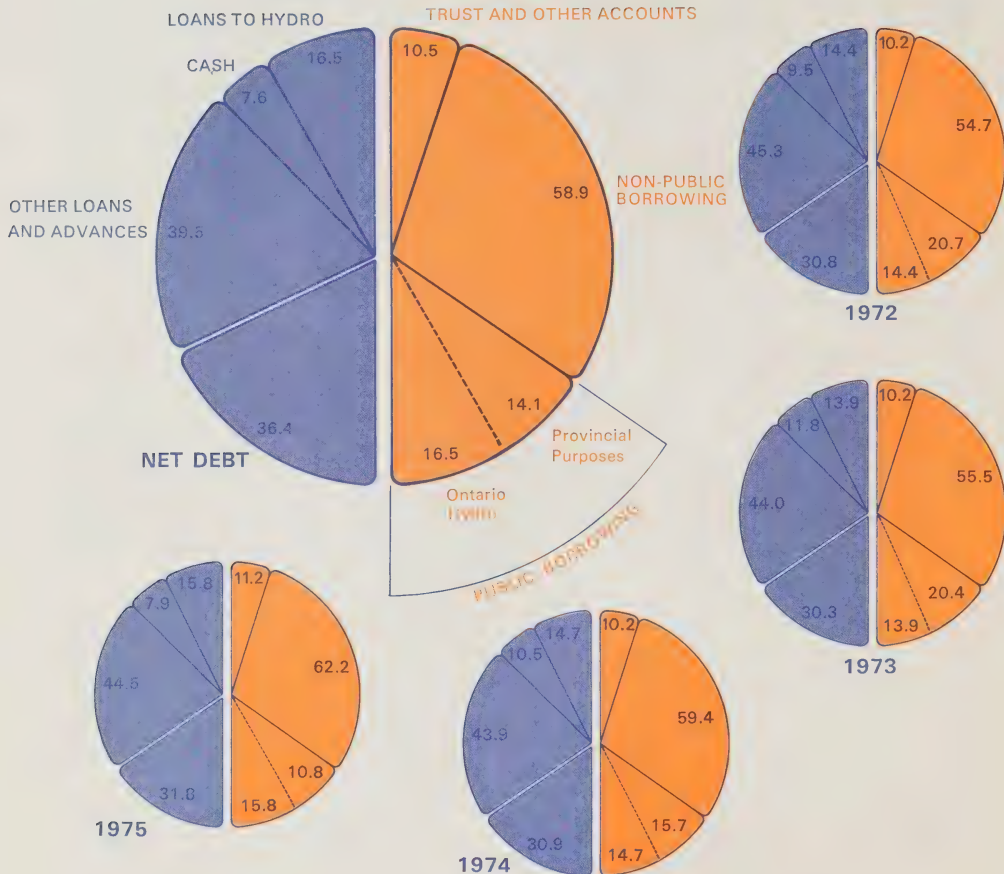
The Ministry of the Environment directs a comprehensive program aimed at providing the citizens of Ontario a uniformly high standard of water and waste management. The essential element in this program has been the provincial investment in, and operation of, water treatment and waste control facilities. The chart illustrates the recent increases in investment which have made Ontario a leader in the management of water resources.

ONTARIO'S FINANCIAL POSITION

MARCH 31, 1976

ASSETS

LIABILITIES



The illustrations on this page display the financial position of the Province at March 31, 1976 and the previous four fiscal year-ends. The righthand side of each circle shows the cumulative obligations which have been incurred, while the left represents the recorded asset categories. Net debt is the difference between the obligations and the recorded assets and is also the accumulation of annual budgetary deficits since Confederation.

Until 1975 the Province was trending to greater reliance on non-public sources of funds. These are primarily pension funds from the Canada Pension Plan Investment Fund, the Teachers' Superannuation Fund and the Ontario Municipal Employees Retirement System. However in 1975-76, the Province borrowed \$775 million from public sources to meet higher cash requirements. With projected cash requirements at \$659 million less than the previous year, the Treasurer has stated that the Government of Ontario, apart from lengthening the maturity of existing obligations, would not require any net new public borrowing for provincial purposes in 1976-77. The charts also present a visual display of the flow-through nature of public borrowing for Ontario Hydro purposes.

The net debt of the Province grew in absolute and relative size in 1975-76. The tax cuts and incentive expenditure programs initiated to stimulate the economy affected the budgetary deficit and thereby added to the net debt at March 31, 1976.

TEN YEAR REVIEW										
(All figures in millions of dollars)										
	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967
results of operations										
budgetary transactions										
revenue.....	9,152	8,275	6,922	6,115	5,403	5,081	4,401	3,531	2,885	2,430
expenditure.....	10,632	8,821	7,302	6,481	6,028	5,217	4,251	3,624	3,004	2,419
surplus or (deficit).....	(1,480)	(546)	(380)	(366)	(625)	(136)	150	(93)	(119)	11
financial position										
liabilities										
debentures and notes.....	11,733	9,554	8,301	7,199	6,086	5,193	4,560	3,961	3,237	2,623
other liabilities.....	1,811	1,278	1,089	1,134	900	602	524	487	432	390
total liabilities.....	13,544	10,832	9,390	8,333	6,986	5,795	5,084	4,448	3,669	3,013
assets										
cash, temporary investments and marketable securities.....	1,031	856	982	981	662	647	655	537	430	410
other assets.....	7,585	6,528	5,506	4,830	4,170	3,619	3,036	2,369	1,790	1,272
total assets.....	8,616	7,384	6,488	5,811	4,832	4,266	3,691	2,906	2,220	1,682
net debt (liabilities minus assets).....	4,928	3,448	2,902	2,522	2,154	1,529	1,393	1,542	1,449	1,331
net debt as a per cent of budgetary revenue (%).....	53.8	41.7	41.9	41.2	39.9	30.1	31.7	43.7	50.2	54.8
net debt as a per cent of gross provincial product (%).....	7.6	5.9	5.8	5.8	5.6	4.3	4.3	5.3	5.5	5.4
contingent liabilities										
Ontario Hydro.....	4,903	3,689	3,199	2,912	2,687	2,331	2,092	2,020	1,826	1,863
other.....	124	154	131	118	94	82	76	107	107	105
	5,027	3,843	3,330	3,030	2,781	2,413	2,168	2,127	1,933	1,968

Note: The 1975 and prior amounts have been re-stated where necessary to report on a basis consistent with that used in 1976. On April 1, 1972, the operations of The Ontario Hospital Services Commission were absorbed by the Ministry of Health. Revenue and expenditures prior to 1973 have been re-stated to include gross revenues (including premium revenue and Federal contributions) and gross expenditures of hospital plans which were formerly administered by The Ontario Hospital Services Commission.

BASIS OF REPORTING

The financial statements of the Province of Ontario reflect the use of the “cash flow” principle of accounting. This method, modified to allow an additional thirty days to pay for goods and services pertaining to the fiscal year just ended, offers a precise measurement of government activity for a fiscal year. This, rather than the “accrual” principle, is utilized because of two fundamental characteristics of government reporting which set it apart from commercial practice.

The first characteristic is the constitutional principle which underlies the system. The Legislature votes sums of money to specified ministries for stated purposes. The Legislature provides for the required money by authorizing the government to levy taxes or to borrow. The accounts of the government therefore are a record of stewardship and reflect the accountability to the Legislature for the management and disposition of monies levied, entrusted and spent. The purpose of the public accounts in government is to explicitly display that stewardship as revenue flows into and expenditure flows out of the Consolidated Revenue Fund.

The second characteristic is that there is no direct commercial relationship between government revenues and government expenditures. This obviates the “matching” benefit provided by accrual accounting. Expenditures are incurred for the operation of a wide range of services which have been established by government policy. Taxation, the major source of revenues, is imposed on those parts of the economy best able to finance government programs and is also a fiscal policy instrument for the government, in terms of its incidence and in its relationship to expenditures.

The transactions of the Province of Ontario are presented in summary form according to the three distinct areas of government activity through the Consolidated Revenue Fund:

“Budgetary Transactions” are operational activities which include the revenues raised through taxation, premiums, fees, licences and permits, payments from the federal government under shared-cost programs, and income from investments. Expenditures on government programs include payments for goods and services, interest on the public debt, salaries, transfer payments to individuals, municipalities and institutions under various social programs, subsidies and grants and the acquisition or creation of fixed assets. Government assets are generally of lasting value and may tend even to appreciate over time; e.g. parkland, public works or the highway system. Their benefit to future taxpayers is not significantly different from expenditures on education or health care. For these reasons Provincial expenditures on fixed assets are treated as non-recoverable expenditures of each fiscal year. The extent to which revenue exceeds or falls short of expenditure directly decreases or increases the net debt.

“Non-Budgetary Transactions” are the lending, investment and trust administration functions which include, as distinct from expenditure, the government lending and investment activity in various crown corporations, agencies and municipalities. All of these loans and advances are repayable or represent equity holdings supported by the assets of the corporations. Also included in this category is the activity within deposit, trust and certain special purpose accounts, all of which bear directly on the Statement of Assets and Liabilities. “Disbursements” is the term used to describe the lending and investment transactions of the government. “Receipts” consist of the repayment of loans or recovery of investments. “Credits” is the term used to describe payments into deposit, trust and special purpose accounts. Payments made from these same accounts are termed “Charges”.

“Debt Transactions” are the borrowing and repayment transactions which include obligations issued to both non-public and public sources of funds and are reflected directly in the Statement of Assets and Liabilities.

The Net Debt of the Province is the excess of liabilities over recorded assets. It is also the accumulation of all budgetary deficits and surpluses since confederation. Year-to-year changes in net debt are the amount by which revenues exceed or are less than budgetary expenditures.

With respect to the financial operations of provincial crown corporations, agencies, boards and commissions, the financial statements presented in this Report reflect (i) the year-end position of the advances to or the investments in these entities which are made from the Consolidated Revenue Fund and (ii) the extent to which their operations have been financed from or have contributed to the Fund for the year.

PROVINCE OF ONTARIO

STATEMENT OF CONSOLIDATED REVENUE FUND

Year ended March 31

	1976	1975
	(\$ millions)	(\$ millions)
opening balance		
Cash, temporary investments and marketable securities.....	856	982
budgetary transactions		
Revenue.....	9,152	8,275
Expenditure.....	10,632	8,821
Budgetary deficit.....	(1,480)	(546)
non-budgetary transactions		
Loans and investments		
Receipts.....	249	401
Disbursements.....	1,305	1,423
Net increase in loans, advances and investments	(1,056)	(1,022)
Trust administration functions		
Credits.....	307	323
Charges.....	99	60
Net increase in trust administration functions.....	208	263
Non-budgetary transactions (net)...	(848)	(759)
cash requirements*	(2,328)	(1,305)
debt transactions		
Proceeds of loans**.....	2,586	1,539
Repayments of loans.....	83	360
	2,503	1,179
closing balance		
Cash, temporary investments and marketable securities.....	1,031	856

See accompanying Basis of Reporting and Notes to the Financial Statements.

*Includes advances to and repayments from Ontario Hydro.

**Includes borrowing activities on behalf of Ontario Hydro.

BUDGETARY TRANSACTIONS

Year ended March 31

revenue

taxation

	1976		1975	
	(\$ millions)	%	(\$ millions)	%
Personal income tax.....	1,571	17.2	1,445	17.5
Retail sales tax.....	1,328	14.5	1,569	19.0
Corporation taxes.....	1,140	12.5	892	10.8
Gasoline tax.....	505	5.5	493	6.0
Federal government income tax revenue guarantee.....	255	2.8	49	.6
Tobacco tax.....	104	1.1	101	1.2
Motor vehicle fuel tax.....	73	.8	79	1.0
Succession duty.....	64		78	
Mining profits tax.....	63		153	
Land transfer tax.....	51		48	
Race tracks tax.....	38		34	
Income tax—public utilities.....	7		8	
Other taxation.....	6		4	
	<u>5,205</u>	<u>56.9</u>	<u>4,953</u>	<u>59.9</u>

other revenue

Premiums—Ontario Health Insurance Plan.....	573	6.3	548	6.6
Profits—Liquor Control Board of Ontario.....	333	3.6	302	3.7
Vehicle registration fees.....	222	2.4	187	2.3
Other fees and licences.....	105	1.1	92	1.1
Fines and penalties.....	47		42	
Profits—Ontario Lottery Corporation.....	42			
Royalties.....	40		36	
Sales and rentals.....	39		86	
Utility service charges.....	32		26	
Miscellaneous.....	51		31	
	<u>1,484</u>	<u>16.2</u>	<u>1,350</u>	<u>16.3</u>

payments from the federal government..... 1,930 21.1 1,517 18.3

interest on loans, advances and investments..... 533 5.8 455 5.5

total revenue..... 9,152 100.0 8,275 100.0

expenditure

social development policy field

	1976		1975	
	(\$ millions)	%	(\$ millions)	%
Health.....	2,987	28.1	2,529	28.7
Education.....	1,776	16.7	1,598	18.1
Colleges and Universities.....	1,019	9.6	878	10.0
Community and Social Services.....	881	8.3	674	7.6
Culture and Recreation.....	109	1.0	74	.8
	<u>6,772</u>	<u>63.7</u>	<u>5,753</u>	<u>65.2</u>

resources development policy field

Transportation and Communications.....	964	9.1	812	9.2
Natural Resources.....	208	1.9	185	2.1
Agriculture and Food.....	152	1.4	113	1.3
Environment.....	83		58	
Industry and Tourism.....	50		37	
Labour.....	17		14	
Energy.....	3		3	
	<u>1,477</u>	<u>13.9</u>	<u>1,222</u>	<u>13.9</u>

justice policy field

Solicitor General.....	128	1.2	106	1.2
Correctional Services.....	122	1.1	102	1.1
Attorney General.....	101	1.0	85	1.0
Consumer and Commercial Relations.....	43		35	
	<u>394</u>	<u>3.7</u>	<u>328</u>	<u>3.7</u>

general government

Treasury, Economics and Intergovernmental Affairs.....	423	4.0	347	3.9
Government Services.....	288	2.7	269	3.1
Housing.....	192	1.8	71	.8
Revenue.....	173	1.6	123	1.4
Office of the Assembly.....	30		8	
Other.....	16		12	
	<u>1,122</u>	<u>10.5</u>	<u>830</u>	<u>9.4</u>

public debt — interest

total expenditure

	867	8.2	688	7.8
	<u>10,632</u>	<u>100.0</u>	<u>8,821</u>	<u>100.0</u>

NON-BUDGETARY TRANSACTIONS

Year ended March 31

loans, advances and investments

Receipts

	1976	1975
	(\$ millions)	
The Ontario Education Capital Aid Corporation.....	51	46
The Ontario Universities Capital Aid Corporation.....	22	20
Ontario Hydro—secured by bonds.....	46	47
—nuclear power generating station.....	11	18
Ontario Mortgage Corporation.....	21	12
Investments in water treatment and waste control facilities.....	17	7
Ontario Development Corporation.....	15	7
Northern Ontario Development Corporation.....	6	
Public Hospitals.....	14	12
Ontario Housing Corporation (note 3).....	13	208
The Crop Insurance Commission of Ontario.....	6	
Other.....	27	24
	<u>249</u>	<u>401</u>

Disbursements

Ontario Hydro—secured by debentures.....	575	375
Ontario Mortgage Corporation.....	178	133
Investments in water treatment and waste control facilities.....	155	127
The Ontario Education Capital Aid Corporation.....	98	87
The Ontario Universities Capital Aid Corporation.....	42	38
Ontario Housing Corporation.....	56	92
Federal-Provincial Winter Capital Projects—loans to municipalities.....	34	17
Public Hospitals.....	33	42
Ontario Land Corporation (note 3).....	22	320
Northern Ontario Development Corporation.....	21	11
Ontario Development Corporation.....	20	28
Eastern Ontario Development Corporation.....	11	6
Ontario Housing Action Program—loans to municipalities.....	20	13
Tile Drainage Debenture Loans to Municipalities.....	16	13
Ontario Northland Transportation Commission.....	11	7
Ontario Municipal Improvement Corporation.....	9	7
Ontario Energy Corporation.....		100
Other.....	4	7
	<u>1,305</u>	<u>1,423</u>

net increase in loans, advances and investments

1,056 1,022

trust administration functions

Credits

Deposits to pension funds and deposit, trust and reserve accounts.....	254	277
Province of Ontario Savings Office Deposits—net increase.....	53	46
	<u>307</u>	<u>323</u>

Charges

Payments from pension funds and deposit, trust and reserve accounts.....	99	60
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net increase in trust administration functions

208 263

DEBT TRANSACTIONS

Year ended March 31

proceeds of loans

Non-public

	1976	1975
	(\$ millions)	
Canada Pension Plan Investment Fund.....	784	702
Teachers' Superannuation Fund.....	197	286
Ontario Municipal Employees Retirement Fund.....	156	144
Government of Canada, Federal-Provincial Employment Incentive Programs.....	64	16
Central Mortgage and Housing Corporation—waste control loans.....	35	16
	<u>1,236</u>	<u>1,164</u>

Public

On behalf of Ontario Hydro.....	575	375
For general purposes.....	450	
Treasury bills (net).....	325	
	<u>1,350</u>	<u>375</u>

total proceeds of loans	<u><u>2,586</u></u>	<u><u>1,539</u></u>
--------------------------------------	---------------------	---------------------

repayments of loans

Non-public

Government of Canada, Federal-Provincial Employment Incentive Programs.....	1	4
Government of Canada, Municipal Development Loan Board.....	4	4
	<u>5</u>	<u>8</u>

Public

On behalf of Ontario Hydro.....	45	47
For general purposes.....	33	215
Treasury bills (net).....		90
	<u>78</u>	<u>352</u>

total repayments of loans	<u><u>83</u></u>	<u><u>360</u></u>
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PROVINCE OF ONTARIO

STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 1976

See accompanying Basis of Reporting and Notes to The Financial Statements

ASSETS

	1976	1975
	(\$ millions)	
Cash, temporary investments and marketable securities (note 1).....	1,031	856
Advances to Ontario Hydro (note 2).....	2,307	1,789
Advances and investments—other corporations, boards and commissions (note 3).....	4,102	3,778
Investments in water treatment and waste control facilities (note 4).....	666	528
Loans to municipalities.....	272	213
Other loans and investments (note 5).....	238	220
Total recorded assets.....	8,616	7,384
Net Debt.....	4,928	3,448
	<u>13,544</u>	<u>10,832</u>

LIABILITIES

Demand deposits with the Province of Ontario Savings Office.....	286	233
Pension funds (note 6).....	951	796
Deposit, trust and reserve accounts.....	188	188
Advances payable (note 7).....	61	61
Treasury bills.....	325	
Debentures and notes (note 8).....	11,733	9,554
	<u>13,544</u>	<u>10,832</u>
Contingent liabilities (note 9).....	5,027	3,843

Approved on behalf of the Ministry of Treasury, Economics and Intergovernmental Affairs:

A. RENDALL DICK, Deputy Treasurer of Ontario and Deputy Minister of Economics and Intergovernmental Affairs.

G. McINTYRE, F.C.A., Executive Director, Treasury Division.

NOTES TO THE FINANCIAL STATEMENTS

(All figures in millions of dollars)

note 1. cash, temporary investments and marketable securities

	1976	1975
Temporary investments	\$1,186	\$1,131
Marketable securities	308	166
Bank balances	(463)	(441)
	<u>\$1,031</u>	<u>\$ 856</u>

Temporary investments include obligations of Canadian chartered banks and other short term investments.

Marketable securities which are valued at cost consist of debentures and bonds issued by the Province of Ontario, Ontario Hydro and the Government of Canada. The market value of marketable securities was \$294 million and \$162 million at March 31, 1976 and 1975 respectively.

Bank balances includes an amount of \$594 million representing cheques issued during April 1976 to record payments pertaining to the 1976 fiscal year.

note 2. advances to ontario hydro

	1976	1975
Secured by bonds	\$2,240	\$1,711
Nuclear Power Generating Station—Pickering	67	78
	<u>\$2,307</u>	<u>\$1,789</u>

The Province, in addition to guaranteeing all Ontario Hydro debt obligations, has issued U.S. dollar debentures on behalf of Ontario Hydro. The proceeds have been advanced to Ontario Hydro in exchange for U.S. dollar bonds with the same terms and conditions as the debentures of the Province.

The Province by agreement with Ontario Hydro and Atomic Energy of Canada Limited contributed to the capital cost of the Pickering Nuclear Power Generating plant and under the terms of the agreement receives payments based on the net operational advantages of the plant. These payments which have amounted to \$33 million have been applied to reduce the advance.

note 3. advances and investments — other corporations, boards and commissions

	1976	1975
The Ontario Education Capital Aid Corporation	\$1,234	\$1,187
The Ontario Universities Capital Aid Corporation	1,216	1,196
Ontario Mortgage Corporation	541	384
Ontario Land Corporation	338	320
Ontario Housing Corporation	305	262
Ontario Student Housing Corporation	9	9
Ontario Energy Corporation	100	100
Ontario Development Corporation	95	90
Northern Ontario Development Corporation	36	21
Eastern Ontario Development Corporation	17	6
Ontario Northland Transportation Commission	76	65
The Ontario Junior Farmer Establishment Loan Corporation	71	74
The Ontario Municipal Improvement Corporation	33	30
Investment in the Liquor Control Board of Ontario	25	25
Other	6	9
	<u>\$4,102</u>	<u>\$3,778</u>

Based on latest financial information, these corporations, boards and commissions have accumulated equities of approximately \$58 million.

The Ontario Land Corporation, established in March 1975, received on March 25, 1975, advances of \$320 million to purchase land for the North Pickering, South Cayuga, Townsend and Edwardsburgh projects. The North Pickering land held by Ontario Housing Corporation was sold to the Ontario Land Corporation. The Ontario Housing Corporation in turn repaid \$193 million advances previously made from the Consolidated Revenue Fund for the North Pickering Community Development Project.

note 4. investments in water treatment and waste control facilities

The Ministry of the Environment lets extensive contracts for the building of water and sewage systems to serve municipalities. Under the agreements with individual municipalities the costs of construction and operation of the facilities are fully recoverable over the period of years provided in the agreements with the municipalities.

note 5. other loans and investments

	1976	1975
Loans to public hospitals.....	\$ 225	\$ 206
Miscellaneous.....	13	14
	<u>\$ 238</u>	<u>\$ 220</u>

note 6. pension funds

	1976	1975
Public Service Superannuation Fund.....	\$ 941	\$ 794
Legislative Assembly Retirement Allowances Account.....	10	2
	<u>\$ 951</u>	<u>\$ 796</u>

Based on actuarial studies as at December 31, 1973 the Public Service Superannuation Fund has unfunded liabilities as follows at March 31, 1976:

1. An initial unfunded liability of \$83 million, upon which an interest contribution is credited annually to the Fund in accordance with the Pension Benefits Act.
2. A residual unfunded liability amounting to \$161 million which is required to be amortized in the 16 year period ending April 1, 1989 by annual payments of \$16 million.

As at March 31, 1976, the Province had made all required payments.

Teachers' Superannuation Fund

Through the budgetary expenditures of the Ministry of Education the Province of Ontario makes annual contributions to the Teachers' Superannuation Fund administered by the Teachers' Superannuation Commission equal in amount to contributions by members. Further, the Province is committed to paying any deficiency in the Fund. Based on actuarial studies as at December 31, 1972, the Fund has unfunded liabilities as follows at March 31, 1976:

1. An initial unfunded liability of \$328 million upon which an interest contribution is credited annually to the Fund in accordance with the Pension Benefits Act.
2. A residual unfunded liability due to plan amendments amounting to \$230 million which is required to be amortized in the seventeen year period ending December 31, 1989 by annual payments of \$21.9 million.

As at March 31, 1976, the Province had made all required payments.

note 7. advances payable

	1976	1975
Central Mortgage and Housing Corporation.....	\$ 47	\$ 35
Ontario Municipal Employees Retirement Fund.....	14	26
	<u>\$ 61</u>	<u>\$ 61</u>

The Central Mortgage and Housing Corporation advances funds to the Province on an interim basis for a portion of the cost of waste control projects under construction. When a project is completed the advance is partially forgiven and the balance converted to a forty year serial debenture.

The Ontario Municipal Employees Retirement Fund deposits surplus funds with the Province and on December 31 each year receives a debenture for all funds deposited in the calendar year. The balance in "advances payable" represents deposits made between January 1 and March 31.

note 8. debentures and notes

	Payable in			Total
	Canadian Dollars	United States Dollars	Deutsche Marks	
Maturing within 1 year.....	\$ 51	\$	\$ 4	\$ 55
Maturing within 2-5 years.....	256	75	19	350
Maturing within 6-10 years.....	612	352	28	992
Maturing within 11-15 years.....	2,470	45	6	2,521
Maturing within 16-20 years.....	4,501			4,501
Maturing within 21-25 years.....	1,318	551		1,869
Maturing within 26-30 years.....	179	1,240		1,419
Maturing within 31-35 years.....	16			16
Maturing within 36-40 years.....	10			10
	<u>\$9,413</u>	<u>\$2,263</u>	<u>\$ 57</u>	<u>\$11,733</u>

The U.S. dollar debenture liability is recorded at par with the Canadian dollar and with the exception of \$23 million, has been incurred on behalf of Ontario Hydro. The Province holds U.S. dollar bonds of Ontario Hydro having the same terms and conditions as the debentures of the Province.

The Province has borrowings of 199 million Deutsche Marks recorded at \$57 million, the Canadian dollar equivalent at the time of issuance. At March 31, 1976, the Canadian dollar equivalent was \$77 million.

note 9. contingent liabilities

The Province is guarantor of certain obligations of Provincial Corporations, Boards, Commissions, and Agencies as follows:

	1976	1975
Ontario Hydro.....	\$5,022	\$3,779
Provincial Corporations.....	95	96
Miscellaneous.....	29	58
	<u>5,146</u>	<u>3,933</u>
Less: Ontario Hydro bonds held as investments of the Province.....	<u>119</u>	<u>90</u>
	<u>\$5,027</u>	<u>\$3,843</u>

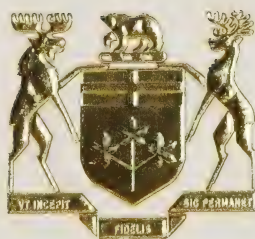
note 10. long-term leases

The Province has long-term lease commitments for accommodation amounting to \$237 million to 1999 and an additional \$12 million for years beyond 1999. The lease payments made in 1975-76 amounted to \$35 million.

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Government
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financial report 1977

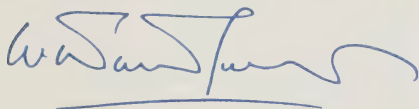
PROVINCE OF ONTARIO



I am pleased to present the 1977 Financial Report of the Province of Ontario.

Two years ago in my April 1975 Budget Statement, I announced a determination to control the growth of spending by the Ontario Government. It is most gratifying to be able to report that for the fiscal year ending March 31, 1977, the growth rate in spending has been reduced for the second successive year and that spending has been held to a level below the original budget estimates, the first time since 1947 that this has been achieved.

This report highlights the major aspects of Ontario's finances and presents in summary form the final results for the fiscal year ended March 31, 1977. The Public Accounts submitted to the Legislature annually should be referred to for detailed information. The policy aspects of Ontario's financial operations are discussed in the annual Ontario Government Budget. Comments or questions will be welcome and should be directed to the Treasury Division of the Ministry of Treasury, Economics and Intergovernmental Affairs.



Toronto, August 1977



HON. W. DARCY McKEOUGH, Treasurer of Ontario

Copies may be obtained from:
ONTARIO GOVERNMENT BOOK STORE
880 Bay Street
Toronto, Ontario M7A 1N8
(416) 965-2054

1976-77 RESULTS IN REVIEW

financial performance

In presenting the 1976 Budget the Treasurer of Ontario announced that total government spending would be held to \$12,576 million, and that the Government of Ontario would not require any public borrowing during the year.

This was achieved. Not only were these goals met; they were bettered.

Evidencing the Province's determination to reverse previous trends, when all Ontario Hydro flow-through financing activity has been eliminated, the year-over-year spending levels have been curtailed to the following rates:

<u>1974-75</u>	<u>1975-76</u>	<u>1976-77</u>
24.7%	15.1%	10.1%

The rapid decline in the growth rate in spending is clearly demonstrated. This was largely the factor that enabled the Province to confine its public money market activities to retiring debenture debt of \$36 million and \$195 million of Treasury Bills, while the sole public debenture issue was on behalf of Ontario Hydro.

The twin features of slowing down the growth in spending and holding below the budgeted level for the first time in many years were made possible by an effective policy initiated by the Government whereby authorized levels of spending and manpower were rigorously examined. As requests for additional funding arose during the year these were granted only to the extent of savings available in other areas. Manpower was treated in a similar fashion.

By the end of the year this process had not only accomplished the original objective of constraining the overall spending level, but had resulted in sufficient savings being identified that, of the original total of funds appropriated, \$110 million was not required. A creditable outcome for such a policy in its first year.

The lending activity of the Province was also constrained during the year and accounted for only 7% of total spending in fiscal 1977 as opposed to 10.8% in 1976, falling from \$1,305 million to \$907 million. Direct financings in the United States for Ontario Hydro were reduced by \$275 million, the remaining \$123 million reduction arising from lower levels of advances and loans to various other crown corporations boards and commissions.

In 1977 Ontario's revenue recorded a 16.8% growth over the previous year. A significant portion of this growth is attributed to the return of retail sales taxes to the original 7% rate after the temporary reduction to provide economic stimulus in 1975, and to the increase in premiums for health insurance announced in the 1976 Budget. Higher revenue growth rates had been forecast for the year, however the moderation in the upturn of the Canadian economy, combined with lower rates of inflation caused personal income tax, retail sales tax and corporation tax collections to yield a total of \$440 million less than anticipated. This deterioration was largely offset by higher than expected payments on the federal revenue guarantee and certain non-budgetary inflows.

The final outcome for 1977 showed an under-spending of \$110 million on Government's own account and a \$198 million underperformance in revenues compared to budget, resulting in an increase in net cash requirements of \$88 million over budget.

cash requirements

In addition to borrowing for its own general purposes, the Province borrows in the United States public market on behalf of Ontario Hydro. The proceeds are then loaned to Ontario Hydro on the same terms and conditions as "flow-through financing", resulting in that part of the total provincial debt liability and carrying costs being borne directly by Ontario Hydro through payments made to the Province as interest revenues or loan repayments. The provincial budget, and its financial tables, are framed around the operations of the Province on its own account, and all such offsetting revenue and expenditure flows are netted out to display more clearly the Province's own account activity. When displaying the total activity of the Province in this Report and in the Public Accounts there is included the combined revenue and expenditure flows with respect to the Province's own budgeted purposes and those attributable to the flow-through financing arrangements with Ontario Hydro.

Although net cash requirements on the Province's own account were \$88 million more than budgeted, this is some \$481 million less than the requirements of the previous year, while with the inclusion of the financing activities on behalf of Ontario Hydro, the year-over-year decrease in total cash requirements was \$740 million. (See table below).

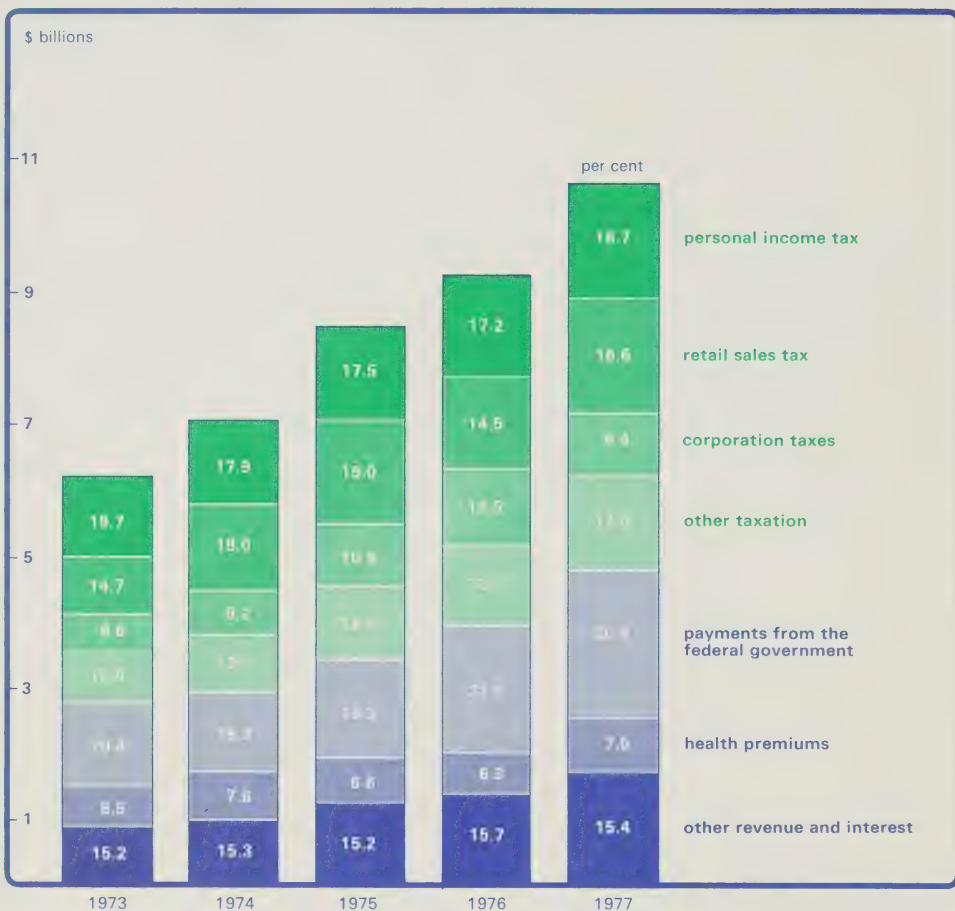
All funding required for provincial purposes was obtained from non-public pension fund sources and there was no requirement to borrow from public sources.

Cash Requirements (\$ millions)

	1976	1977	Decrease
Net Cash Requirements for Provincial Purposes	1,799	1,318	481
Add Requirements for Ontario Hydro Purposes	529	270	259
	<u>2,328</u>	<u>1,588</u>	<u>740</u>

BUDGETARY REVENUE

major revenue sources



taxation

Ontario's personal income tax is a cornerstone of the Province's revenue structure. The tax is established by agreement with the federal government as a percentage of basic federal tax which means that the revenue flow is subject to all of the provisions of the federal income tax act. One of

these provisions is that tax brackets and exemptions are adjusted annually to reduce the revenue growth due purely to inflation. Nevertheless, this tax still has the highest elasticity in its relationship to economic growth and collections received in the year rose by 13.4%. The original budget fore-

cast of \$1,954 million proved to be based on an overly-optimistic view of the Canadian economy, which resulted in the ultimate yield from this source being \$1,782 million.

The retail sales tax for fiscal 1977 showed a \$447 million increase, largely due to the return to the normal 7% rate from the temporary 5% rate and the total exemption on automobiles introduced as economic stimulus in 1975-76. This growth however, fell short of expected collections by \$142 million as the inflation rate subsided during 1976 and continuing slack in the economy curtailed some consumer spending.

Total corporation tax collections fell by \$138 million. A significant part of this fall in revenue can be attributed to the extra revenue collected in 1976 from the acceleration of final payments of tax from six months to three months after the corporation year end. However this tax in common with the other major taxes was primarily affected by the general moderation in the Canadian economy.

revised fiscal arrangements

A significant event during the year was the agreement between the federal government and the Provinces of a new method of sharing fiscal resources. The new system is fully documented in Budget Paper B of the 1977 Budget. For Ontario the new system means that, commencing in fiscal 1977-78, approximately two-thirds of the existing shared cost revenues from the federal government will be replaced: one-half by a cash payment to grow annually at the same rate as the economy, and the other half by additional room in the personal income tax field. This change will increase the proportion of Ontario's revenue which is responsive to economic growth from less than 50% to just over 65%. It also allows the Province to re-order its expenditure priorities without risk to its revenue sources.

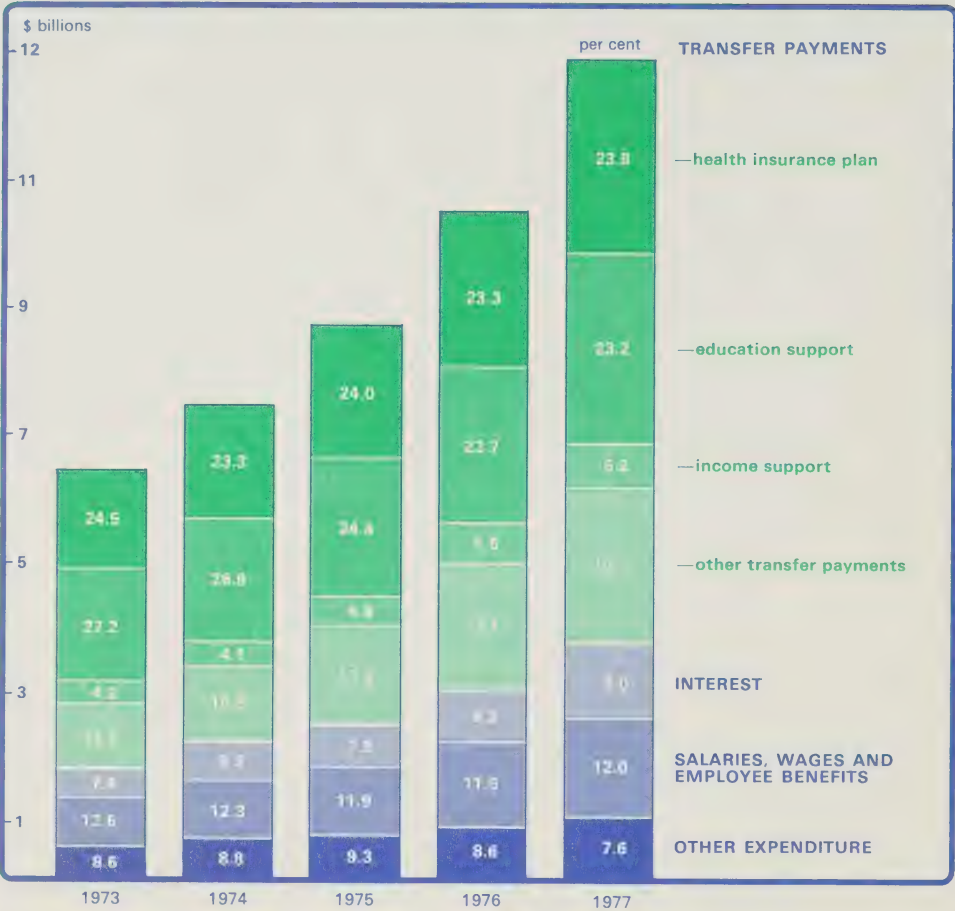
other revenue

In the five years 1971 to 1976, Ontario Hospital Insurance Plan (OHIP) premium revenue as a percentage of OHIP costs steadily declined from 44% to 23%. As of May 1, 1976, premiums were increased by 50% to partially restore the former mix of premium and public financing. At the same time premium assistance was substantially extended. To pensioners and social assistance recipients already enjoying free coverage were added families and single persons having zero taxable income. Premiums at half rates were made available to others having low or modest incomes. The net increase in premiums for the year of \$226 million brought these revenues to \$799 million or 28% of OHIP costs.

Federal Government Payments yielded \$2,235 million in 1977 mainly as a 50% share of certain health, welfare and education costs, and by and large followed the trends in the major expenditure programs which are explained on pages 7 and 8.

BUDGETARY EXPENDITURE

major components



Almost 89% of total government spending is budgetary expenditure. As the chart above shows about 72% of these expenditures are in the form of transfer payments which are grants, subsidies and allowances paid to individuals, agencies or other government bodies and local governments. The remaining budgetary expenditures consist of interest paid on debt obligations, and salaries

and related costs of civil service employees, together with other expenditures which encompass the day to day operating costs of the provincial organizations. The discussion which follows reviews these major components. The statement of expenditure on page 17 presents the comparative level of expenditure by ministerial portfolio.

ontario health insurance plan

The Ontario Health Insurance Plan was designed to protect residents of the Province from unreasonable financial burdens at the time of illness.

The costs of the plan, which cover payments to doctors, ambulance services, hospital charges, home care assistance and extended care, increased by \$362 million from the previous year.

The costs of operating hospitals increased by \$283 million, which accounted for over 75% of the total escalation in the Plan's expenditures. Almost all of this arose from a large retroactive salary settlement to nursing staff. The remainder of the increase came from start-up costs in new hospitals and the fact that the Province is providing 1,000 more beds than two years ago.

Payments to doctors increased by \$58 million over the previous year to \$800 million. This percentage increase of 7.8% reflects an increase in utilization and a fee increase of 6% granted during the year.

The Extended Care Program expenditures rose by 17.4% to \$102 million, the principal factors being an increase in the utilization rate, an increase in the day rate, and a further 1,200 beds coming into use during the year.

An expansion of the Home Care Assistance Program is being tested to study the feasibility of caring for more people in this way rather than in higher per diem cost institutions. This expansion plus general inflation pushed spending from \$13 million in 1976 to \$17 million in 1977.

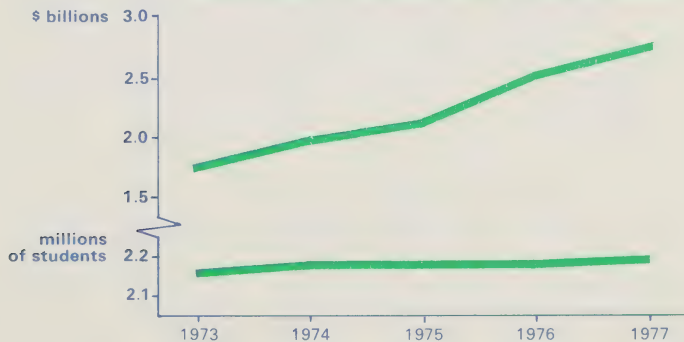
education support

The Province assists municipalities in providing free education up to Grade 13 in elementary and secondary schools. This support takes the form of grants to help defray operating expenses and loans to construct school buildings.

The grants are determined on a student per capita basis. However, in elementary schools enrolment has been declining and is expected to continue to decline for another five years, while in secondary schools enrolment is expected to start a decline next year. As a result, the Province adjusted its cost-sharing formula and ceiling levels holding the year-over-year increase of the absolute level of the grants to 7.5%.

Post-secondary education is offered through Universities and Colleges of Applied Arts and Technology supported directly by the Province. Tuition fees, regulated by the Province, are charged to students, and an assistance program is available for students who can not afford these fees. Per capita grants and loans are made on a basis similar to those made to schools. Post-secondary establishments showed only a small increase in enrolment, 1.5%, but a revision of the grant formula increased the amount paid by 13.2% over the previous year. The following chart demonstrates the continuing provincial direct support of all levels of education against a marginally increasing total student population.

**Financial Support and Student Population
Schools and Post-Secondary Establishments**



budgetary expenditure—continued

income support

The Province increased the level of income support to residents who are unable to adequately provide for themselves from their own resources. This support is given principally in four different ways: tax credits, welfare, family benefit allowances and guaranteed annual income supplements.

Tax credits, which are delivered through the mechanism of the personal income tax collection system, are intended as a relief from property and sales taxes to persons with a low income. This relief increased by \$27 million, or 6.9% over the previous year, to \$418 million.

Residents who have no, or almost no income, and who can not qualify for benefits such as unemployment, workmen's compensation or Canada Pension may apply for allowances from their municipality or directly from the Province under the Family Benefits Act. The Province also supports the municipalities under the General Welfare Act. Payments under these two Acts have been the major components of the income support program for many years and amounted to \$490 million in 1977. Some revisions in qualifications for applications held the increase in these payments down to a level of 4.0% over the previous year.

Persons who are disabled or of pensionable age, subject to certain residency requirements, are guaranteed a minimum annual income in Ontario. The Guaranteed Annual Income System paid \$118 million to 270,000 residents in 1977, an increase of 12.2% over the previous year's level.

interest

The Province paid a total of \$1,069 million in interest, due in part to the higher interest rates and partly the increased level of debt. The table below compares total debt levels with interest payments for the last five years.

Of the money borrowed by the Province, much of it is reinvested by advancing to crown corporations, boards and commissions who, in most cases, are required to repay both capital and interest to the Province at rates comparable to those available from other sources. Of particular significance is the flow-through financing which the Province undertakes on behalf of Ontario Hydro.

Debt and Interest Paid

(\$ millions)

	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
<i>including Ontario Hydro</i>					
Debentures, notes and treasury bills	7,459	8,390	9,554	12,058	13,404
Other liabilities	874	1,000	1,278	1,486	1,783
Total liabilities	8,333	9,390	10,832	13,544	15,187
Interest paid	477	603	688	867	1,069
<i>excluding Ontario Hydro</i>					
Debentures, notes and treasury bills	6,300	7,008	7,844	9,818	10,895
Other liabilities	874	1,000	1,278	1,486	1,783
Total liabilities	7,174	8,008	9,122	11,304	12,678
Interest paid	408	524	590	724	890

salaries, wages and employee benefits

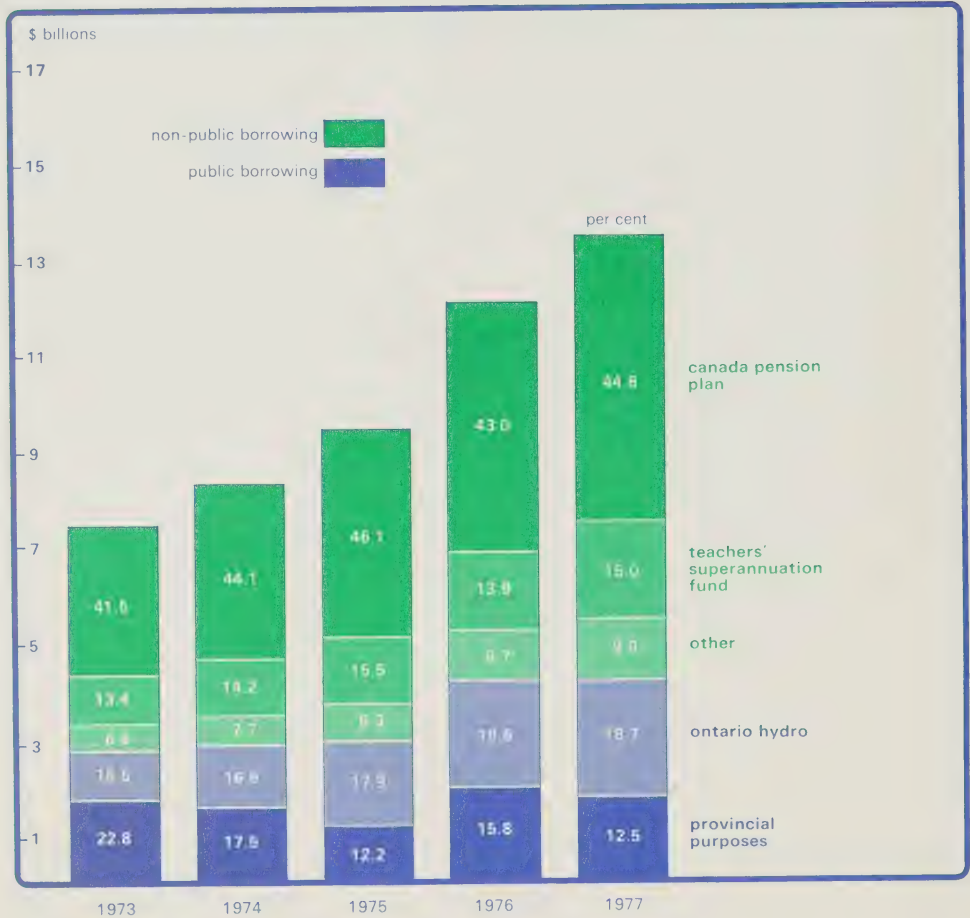
During the year, the Province completed its planned reduction of complement initiated in 1975, by eliminating the final 1,000 positions to bring the overall reduction to some 4,000 positions. Thus administrative overhead has been substantially reduced. The majority of the employees in the provincial civil service are providing direct services to the public, which vary widely from staffing psychiatric hospitals and mental retardation facilities to development and maintenance of highways, parks and recreational facilities, and O.P.P. law enforcement. The 1977 cost was \$1,429 million or 15.7% over the previous year.

The apparent anomaly of such a year-over-year increase while conforming to Anti-Inflation Board guidelines is due to three reasons. Retro-active salary payments, overlapping to the previous fiscal year were made to certain large employee groups on conclusion of contract negotiations. Twenty-seven bi-weekly salary payments fell within the reporting year as the Province changed its accounting method to that described in the Summary of Significant Accounting Policies. The timing of a payment relating to amortization of pension liabilities was advanced from a future year.

Adjusting for these items, it is estimated that the year-over-year increase would be closer to 8%.

FUNDED DEBT AT MARCH 31

major components



The chart above illustrates the absolute growth and composition of provincial funded debt (debentures, notes and treasury bills) over the last five years. In addition to borrowing for its own general purposes, the Province borrows in the United States public market on behalf of Ontario

Hydro. The proceeds are loaned to Ontario Hydro on the same terms and conditions, resulting in that portion of the provincial debt-carrying cost being borne by Ontario Hydro through interest payments which the Province receives as revenue.

Publicly held debt for provincial purposes resumed the trend of declining importance which has been developing over recent years. The only new issues during 1976-77 to the public were made on behalf of Ontario Hydro, while the Province reduced the amount of 91 day Treasury Bills outstanding by \$195 million and retired \$36 million of other debentures held by the public. This was possible because the traditional sources of non-public financing provided more than the cash requirements of the Province. The liquid reserves were reduced by \$227 million to a year-end position of \$804 million to facilitate the Treasury Bill reduction.

The primary source of provincial funding is the government or non-public sector. Within this category, three pension funds, Canada Pension Fund, Teachers' Superannuation Fund and Ontario Municipal Employees Retirement System, have provided for over 67% of the debt outstanding.

funded debt characteristics

Some selected statistics of the Province's funded debt at March 31, 1977, are shown in the table below.

The average term to maturity of the debt outstanding is 17.0 years, up slightly from 16.7 on March 31, 1974. About 4.4% of the debt is scheduled to mature in the next five years and 13.6% in the next ten years. The year of heaviest maturities is 1996 when 8.7% of the funded debt is due.

While the level of funded debt has risen over the last five years, the provincial economy, which represents the Province's ability to support its obligations, has maintained the same approximate rate of increase in growth. This is illustrated by the ratio of funded debt to Gross Provincial Product as at March 31.

1973	1974	1975	1976	1977
.17	.17	.16	.18	.17

Selected Funded Debt Statistics

as at March 31, 1977

	As a Percentage of Total (%)	Average Term to Maturity (years)	Average Cost ¹ to the Province (%)	Average Annual Rate of Growth March 31, 1973- March 31, 1977 (%)
Publicly-Held				
Provincial Purposes	12.5	10.7	7.22	2.4
Ontario Hydro Purposes	18.7	22.6	8.15	22.5
Total Publicly-Held Debt	31.2	17.8	7.78	12.1
Non-Public				
Canada Pension Plan	44.8	15.3	7.73	18.1
Other	24.0	19.0	8.19	21.1
Total Non-Public Debt	68.8	16.6	7.89	19.1
Total Funded Debt	100.0	17.0	7.85	16.6

¹Includes transactions costs.

funded debt at March 31 —continued

centralization of ontario public sector debt

The level and composition of Ontario's funded debt strongly reflects its policy of centralized financing which was designed to minimize proliferation of public sector debt issues. Basically this entails the Province playing a significant role in financing various quasi-independent agencies, provincial crown corporations, boards, commissions, local governments, school boards and hospitals. Part of this policy involves borrowing at the provincial level and lending in turn to these bodies. Taken together with the regulation of municipal debt levels by the Ontario Municipal Board, a provincial agency, and a policy of substantial direct financial grant support to municipalities and school boards, the result is a centralization of Ontario Public Sector Debt and a reduction of government borrowers in the market. The Province also reserves the use of its guarantee almost exclusively to Ontario Hydro. An indication of the centralization of Ontario Public Sector Debt at the provincial level is shown below.

Funded Debt of the Ontario Public Sector as at March 31, 1977

(\$ millions)

	Gross Debt	Intra-sector Borrowing	Consolidated Debt	
Province of Ontario				
Direct	13,404		13,404	57.7%
Guaranteed*	5,708		5,708	24.6
Corporations, Boards and Commissions	1,136		1,136	4.9
Local Governments	4,557	1,690	2,867	12.3
Universities and Colleges	1,289	1,215	74	0.3
Hospitals and Associated Operations	292	233	59	0.2
Total	26,386	3,138	23,248	100.0%

*Excludes bank loans

Amounts other than Province of Ontario are preliminary estimates.

SELECTED FINANCIAL AND ECONOMIC STATISTICS

	1977	1976	(\$ millions) 1975	1974	1973
consolidated revenue fund inflows					
Budgetary Revenue	10,692	9,152	8,275	6,922	6,115
Non-Budgetary Receipts and Credits . .	664	556	724	360	315
consolidated revenue fund outflows					
Budgetary Expenditure	11,921	10,632	8,821	7,302	6,481
Non-Budgetary Disbursements and Charges	1,023	1,404	1,483	911	842
cash requirements	1,588	2,328	1,305	931	893
net cash requirements¹	1,318	1,799	977	707	745
liabilities					
Debentures, notes and treasury bills					
Provincial Purposes	10,895	9,818	7,844	7,008	6,300
On behalf of Ontario Hydro	2,509	2,240	1,710	1,382	1,159
Other Liabilities	1,783	1,486	1,278	1,000	874
Total Liabilities	15,187	13,544	10,832	9,390	8,333
contingent liabilities					
Ontario Hydro	5,624	4,903	3,689	3,199	2,912
Other	110	124	154	131	118
Total Contingent Liabilities	5,734	5,027	3,843	3,330	3,030
ontario public sector funded debt²					
	23,248	20,933	17,010	15,196	N.A.
gross provincial product³	77,300	65,309	59,615	50,088	43,272
personal income³	62,400	52,901	46,243	37,721	34,797
personal income per capita	7,490	6,431	5,713	5,003	4,447
cash requirements/GPP	2.1%	3.6%	2.2%	1.9%	2.1%
debentures, notes and treasury bills/GPP	17.3%	18.5%	16.0%	16.8%	17.2%
ontario public sector funded debt/GPP	30.1%	32.1%	28.5%	30.3%	N.A.

¹Net cash requirements excludes transactions relating to funds borrowed on behalf of Ontario Hydro.

²Ontario public sector funded debt is the funded debt of the Province and all provincial agencies, boards and commissions including local governments net of intra-sector borrowing.

³Gross provincial product and personal income are calculated on a calendar year basis. The amounts appearing in a fiscal year column are the preceding calendar year statistics.

summary of significant accounting policies

the accounting entity

In the operation of its financial affairs the Province of Ontario employs the concept of a Consolidated Revenue Fund, unique to the parliamentary system of government. The financial transactions of government ministries are recorded and displayed as Consolidated Revenue Fund cash inflows and outflows. With respect to the financial operations of provincial crown corporations, agencies, boards and commissions, the financial statements of the Consolidated Revenue Fund reflect only the extent to which their operations have been financed from or have contributed to the Fund for the year.

the accounting basis

The Province of Ontario uses the cash basis of accounting for its financial transactions, modified to allow an additional thirty days to pay for goods and services pertaining to the fiscal year just ended. In this regard, payments to employees for the pay period which overlaps the fiscal year end date are apportioned between the two years. The cash basis of accounting, modified as described, is used to disclose to the public the stewardship of the Government in regard to monies entrusted by appropriation, and raised through taxes and borrowing. Revenues and expenditures being unrelated in nature are matched only by timing of cash flow.

classification of transactions

The transactions of the Province of Ontario are presented in summary form according to the three distinct areas of government activity through the Consolidated Revenue Fund.

“Budgetary Transactions” are operational activities which include the revenues raised through taxation, premiums, fees, licences and permits, payments from the federal government under shared-cost programs, and income from investments. Expenditures on government programs include payments for goods and services, interest on the public debt, salaries, transfer payments to individuals, municipalities and institutions under various social programs, subsidies and grants, and the acquisition or creation of fixed assets. The extent to which revenue exceeds or falls short of expenditure directly decreases or increases the net debt of the Province.

“Non-Budgetary Transactions” are the lending, investment and trust administration functions which include, as distinct from expenditure,

the government lending and investment activity in various crown corporations, agencies and municipalities. All of these loans and advances are repayable or represent equity holdings supported by the assets of the corporations. Also included in this category is the activity within deposit, trust and certain special purpose accounts. “Disbursements” is the term used to describe the lending and investment transactions of the government. “Receipts” consist of the repayment of loans or recovery of investments. “Credits” is the term used to describe payments into deposit, trust and special purpose accounts. Payments made from these same accounts are termed “Charges”.

“Debt Transactions” are the borrowing and repayment transactions which include obligations issued to both non-public and public sources of funds.

assets and liabilities

The assets and liabilities reported in the financial statements are financial claims which have been created by cash transactions. The assets are claims by the Consolidated Revenue Fund on other parties. The liabilities are claims by other parties on the Consolidated Revenue Fund.

Since expenditures on fixed assets are not considered to differ from any other service to the public, they are expensed as budgetary items in the year of acquisition. Neither do they represent financial claims on others and are therefore not reported as balance sheet assets.

Debentures, notes and treasury bills are recorded as liabilities at the face value of the debt instrument, and discount, premium and commission expenses are treated as current year budgetary transactions. The general resources of the Province are used for the continued orderly retirement of debt and no sinking funds are maintained for this purpose.

The contingent liabilities of the Province consist of guarantees by the Treasurer of Ontario of debt instruments issued by provincial agencies, boards and commissions and bank loans under certain government programs. Other significant legal commitments and liabilities are disclosed in notes to the financial statements.

The net debt of the Province is the excess of liabilities over recorded assets. It is also the accumulation of all budgetary deficits and surpluses since Confederation. Year-to-year changes in net debt are the amount by which revenues exceed or are less than budgetary expenditures.

STATEMENT OF CONSOLIDATED REVENUE FUND

for the year ended March 31, 1977

	1977 (\$ millions)	1976 (\$ millions)
opening balance		
Cash, temporary investments and marketable securities	1,031	856
budgetary transactions		
Revenue	10,692	9,152
Expenditure	11,921	10,632
Budgetary deficit	(1,229)	(1,480)
non-budgetary transactions		
Loans, advances and investments		
Receipts	265	249
Disbursements	907	1,305
Net increase in loans, advances and investments	(642)	(1,056)
Trust administration functions		
Credits	399	307
Charges	116	99
Net increase in trust administration functions	283	208
Non-budgetary transactions (net)	(359)	(848)
cash requirements*	(1,588)	(2,328)
debt transactions (note 11)		
Proceeds of loans**	1,691	2,620
Retirements of loans	330	117
	1,361	2,503
closing balance		
Cash, temporary investments and marketable securities	804	1,031

*Includes advances to and repayments from Ontario Hydro.

**Includes borrowing activities on behalf of Ontario Hydro.

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

BUDGETARY TRANSACTIONS

for the year ended March 31, 1977

	1977	1976
	(\$ millions)	(\$ millions)
revenue		
taxation		
Personal income tax	1,782	1,571
Retail sales tax	1,775	1,328
Corporation taxes	1,002	1,140
Gasoline tax	508	505
Federal government income tax revenue guarantee	496	255
Tobacco tax	157	104
Motor vehicle fuel tax	79	73
Succession duty	62	64
Other taxation	145	165
	<u>6,006</u>	<u>5,205</u>
 other revenue		
Premiums—Ontario Health Insurance Plan	799	573
Profits—Liquor Control Board of Ontario	302	333
Vehicle registration fees	223	222
Other fees and licences	190	105
Profits—Ontario Lottery Corporation	76	42
Fines and penalties	51	47
Miscellaneous	187	162
	<u>1,828</u>	<u>1,484</u>
 government of canada		
Hospital Insurance and Diagnostic Services Act— hospital operations	1,027	849
Canada Assistance Plan	472	444
Medical Care Act	360	288
Post-Secondary Education Adjustment Payment	190	167
Other	186	182
	<u>2,235</u>	<u>1,930</u>
 interest on loans, advances and investments	623	533
total revenue	<u>10,692</u>	<u>9,152</u>

	1977	1976
	(\$ millions)	(\$ millions)
expenditure		
social development policy field		
Health	3,401	2,985
Education	1,984	1,776
Colleges and Universities	1,158	1,019
Community and Social Services	947	881
Culture and Recreation	144	109
	<u>7,634</u>	<u>6,770</u>
resources development policy field		
Transportation and Communications	966	964
Natural Resources	240	207
Agriculture and Food	166	152
Housing	157	192
Environment	99	83
Industry and Tourism	56	50
Labour	20	20
Energy	3	3
	<u>1,707</u>	<u>1,671</u>
justice policy field		
Correctional Services	145	122
Solicitor General	144	128
Attorney General	119	101
Consumer and Commercial Relations	60	43
	<u>468</u>	<u>394</u>
general government		
Treasury, Economics and Intergovernmental Affairs	512	422
Government Services	295	288
Revenue	198	173
Office of the Assembly	17	30
Other	21	17
	<u>1,043</u>	<u>930</u>
public debt—interest	<u>1,069</u>	<u>867</u>
total expenditure	<u>11,921</u>	<u>10,632</u>

NON-BUDGETARY TRANSACTIONS

for the year ended March 31, 1977

	1977 (\$ millions)	1976 (\$ millions)
loans, advances and investments		
Receipts		
Ontario Hydro	50	57
Other corporations, boards and commissions		
The Ontario Education Capital Aid Corporation	57	51
The Ontario Universities Capital Aid Corporation . . .	24	23
Ontario Mortgage Corporation	28	21
Other	42	52
Water treatment and waste control facilities	32	17
Loans to municipalities	16	13
Other loans and investments	16	15
	<u>265</u>	<u>249</u>
Disbursements		
Ontario Hydro	300	575
Other corporations, boards and commissions		
Ontario Mortgage Corporation	181	178
Ontario Housing Corporation	36	56
The Ontario Education Capital Aid Corporation	77	98
The Ontario Universities Capital Aid Corporation . . .	33	42
Other	55	97
Water treatment and waste control facilities	146	155
Loans to municipalities	43	71
Other loans and investments	36	33
	<u>907</u>	<u>1,305</u>
net increase in loans, advances and investments	<u>642</u>	<u>1,056</u>
trust administration functions		
Credits		
Deposits to pension funds and deposit, trust and reserve accounts	346	254
Province of Ontario Savings Office Deposits		
—net increase	53	53
	<u>399</u>	<u>307</u>
Charges		
Payments from pension funds and deposit, trust and reserve accounts	116	99
net increase in trust administration functions	<u>283</u>	<u>208</u>

DEBT TRANSACTIONS

for the year ended March 31, 1977

	1977 (\$ millions)	1976 (\$ millions)
proceeds of loans		
Non-public		
Canada Pension Plan Investment Fund	813	784
Teachers' Superannuation Fund	334	197
Ontario Municipal Employees Retirement Fund	180	156
Government of Canada, Federal-Provincial Employment Incentive Programs (note 11)		74
Central Mortgage and Housing Corporation—waste control loans (note 11)	64	59
	<u>1,391</u>	<u>1,270</u>
Public		
On behalf of Ontario Hydro	300	575
For general purposes		450
Treasury bills (net)		325
	<u>300</u>	<u>1,350</u>
total proceeds of loans	<u>1,691</u>	<u>2,620</u>
retirements of loans		
Non-public		
Government of Canada, Federal-Provincial Employment Incentive Programs (note 11)	34	10
Government of Canada, Municipal Development Loan Board	4	5
Central Mortgage and Housing Corporation—waste control loans (note 11)	31	25
	<u>69</u>	<u>40</u>
Public		
On behalf of Ontario Hydro	30	45
For general purposes	36	32
Treasury bills (net)	195	
	<u>261</u>	<u>77</u>
total retirements of loans	<u>330</u>	<u>117</u>

STATEMENT OF ASSETS AND LIABILITIES

as at March 31, 1977

	1977 (\$ millions)	1976 (\$ millions)
assets		
Cash, temporary investments and marketable securities (note 1) . . .	804	1,031
Advances to Ontario Hydro (note 2)	2,557	2,307
Advances and investments—other corporations, boards and commissions (note 3)	4,333	4,102
Investments in water treatment and waste control facilities (note 4)	780	666
Loans to municipalities	300	272
Other loans and investments (note 5)	256	238
Total recorded assets	9,030	8,616
Net Debt	6,157	4,928
	<u>15,187</u>	<u>13,544</u>
liabilities		
Deposits with the Province of Ontario Savings Office	339	286
Pension funds (note 6)	1,140	951
Deposit, trust and reserve accounts	229	188
Advances payable (note 7)	75	61
Treasury bills	130	325
Debentures and notes (note 8)	13,274	11,733
	<u>15,187</u>	<u>13,544</u>
Contingent liabilities (note 9)	5,734	5,027

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

Approved on behalf of the Ministry of Treasury, Economics and Intergovernmental Affairs:

A. RENDALL DICK, Deputy Treasurer of Ontario and Deputy Minister of Economics and Intergovernmental Affairs.
G. McINTYRE, F.C.A., Executive Director, Treasury Division.

notes to the financial statements

(All figures in millions of dollars)

note 1. cash, temporary investments and marketable securities

	1977	1976
Temporary investments	\$1,191	\$1,186
Marketable securities	105	308
Cash in banks	(492)	(463)
	<u>\$ 804</u>	<u>\$1,031</u>

Temporary investments include obligations of Canadian chartered banks and other short term investments.

Marketable securities which are valued at cost consist of debentures and bonds issued by the Province of Ontario, Ontario Hydro and the Government of Canada. The market value of marketable securities was \$102 million and \$294 million at March 31, 1977 and 1976 respectively.

Cash in banks includes cheques written during the 30 days following March 31. The amounts were \$540 million and \$594 million in 1977 and 1976 respectively.

note 2. advances to ontario hydro

	1977	1976
Secured by bonds	\$2,510	\$2,240
Nuclear Power Generating Station-Pickering	47	67
	<u>\$2,557</u>	<u>\$2,307</u>

The Province, in addition to guaranteeing all Ontario Hydro debt obligations, has issued U.S. dollar debentures on behalf of Ontario Hydro. The proceeds have been advanced to Ontario Hydro in exchange for U.S. dollar bonds with the same terms and conditions as the debentures of the Province.

The Province by agreement with Ontario Hydro and Atomic Energy of Canada Limited contributed to the capital cost of the Pickering Nuclear Power Generating plant and under the terms of the agreement receives payment based on the net operational advantages of the plant. These payments which have amounted to \$53 million have been applied to reduce the advance.

note 3. advances and investments—other corporations, boards and commissions

	1977	1976
The Ontario Education Capital Aid Corporation	\$1,254	\$1,234
The Ontario Universities Capital Aid Corporation	1,225	1,216
Ontario Mortgage Corporation	694	541
Ontario Land Corporation	338	338
Ontario Housing Corporation	330	305
Development Corporations	157	148
Ontario Energy Corporation	100	100
Other	235	220
	<u>\$4,333</u>	<u>\$4,102</u>

The Ontario Education Capital Aid Corporation receives government advances to purchase bonds or debentures issued by school boards for capital expansion programs. The securities held by the Corporation are the obligations of the individual school boards. Under current support arrangements for local school boards, a portion of approved operating costs (which include interest and principal payments) are covered by provincial grants.

The Ontario Universities Capital Aid Corporation employs government advances to purchase bonds or debentures issued by provincial universities, colleges, the Art Gallery of Ontario, the Royal Ontario Museum and municipalities on behalf of public libraries, for approved capital construction projects. The securities held by the Corporation are the obligations of the issuing institutions. However, under the Province's current program of financial support of post-secondary education, these institutions receive annual budgetary grants from the Province to cover the full amount of interest and principal due to the Corporation.

Ontario Mortgage Corporation utilizes Provincial funds to provide subsidized mortgages for home ownership and rental accommodation. The programs are directed at low to moderate income groups and areas with low vacancy rates. For the years ended March 31, 1977 and 1976, the Province paid subsidies amounting to \$1.6 and \$1.4 million respectively to the Corporation for certain loans made at interest rates lower than cost.

Ontario Land Corporation employs advances from the Province to assemble land for new communities and industrial parks in Ontario. The assets of the Corporation are primarily land.

Ontario Housing Corporation plans, constructs and manages residential housing projects. Financing is provided by the Province and Central Mortgage and Housing Corporation (a federal crown corporation). Operating subsidies are shared by the Province, Central Mortgage and Housing Corporation, and municipalities. The Province's share of the subsidy for calendar 1976 and 1975 was \$66.6 and \$50.4 million respectively.

Ontario Development Corporation and the related Eastern Ontario Development Corporation and the Northern Ontario Development Corporation are lenders of last resort for the encouragement and expansion of manufacturing and tourist operations in slow growth areas, the expansion of exports and substitution of imports, and the launching of new products and techniques. The Province's investment is made up of \$7 million in equity and the remainder in advances. The Corporations have a \$5 million equity investment in industrial parks, but the bulk of the assets are loans. The Corporations received transfer payments of \$16.4 million and \$17.2 million in 1977 and 1976 respectively to cover loans forgiven and written off.

Ontario Energy Corporation was established to develop energy supplies for Ontario through investment in energy exploration, development and production. The Corporation's major involvement is a 5% equity investment in Syncrude Canada Ltd. (a joint venture of government and private enterprise to develop the oil sands in northern Alberta). It is estimated that Ontario's investment will total \$105 million from 1975 through 1978. The Corporation has also been authorized to participate in the research aspects of the Polar Gas Project up to a level of \$16 million. The project is a consortium which is studying the movement of natural gas from the eastern high Arctic to southern markets.

note 4. investments in water treatment and waste control facilities

The Ministry of the Environment lets extensive contracts for the building of water and sewage systems to serve municipalities. Under the agreements with individual municipalities the costs of construction and operation of the facilities are fully recoverable over the period of years provided in the agreements with the municipalities.

note 5. other loans and investments

	1977	1976
Loans to public hospitals	\$ 243	\$ 225
Miscellaneous	13	13
	<u>\$ 256</u>	<u>\$ 238</u>

The loans to public hospitals are for capital construction. In fiscal 1977 and 1976 the Province made grants of \$16.2 and \$14.7 million respectively to assist public hospitals in meeting principal and interest payments.

note 6. pension funds

	1977	1976
Public Service Superannuation Fund	\$1,129	\$ 941
Legislative Assembly Retirement Allowances Account	11	10
	<u>\$1,140</u>	<u>\$ 951</u>

Based on actuarial studies as at December 31, 1973 the Public Service Superannuation Fund has unfunded liabilities as follows at March 31, 1977:

1. An initial unfunded liability of \$83 million, upon which an interest contribution is credited annually to the Fund in accordance with the Pension Benefits Act.
2. A residual unfunded liability amounting to \$161 million which is required to be amortized in the 16 year period ending April 1, 1989 by annual payments of \$16 million.

As at March 31, 1977, the Province had made all required payments.

An actuarial study as at December 31, 1976 is currently being prepared.

Teachers' Superannuation Fund

Through the budgetary expenditures of the Ministry of Education, the Province of Ontario makes annual contributions to the Teachers' Superannuation Fund administered by the Teachers' Superannuation Commission equal in amount to contributions by members. Further, the Province is committed to paying any deficiency in the Fund. As at March 31, 1977 the Province had made all payments required by the December 31, 1972 actuarial study. Subsequent to the fiscal year end, the Teachers' Superannuation Commission has received a new actuarial study as at December 31, 1975. Based on the study, the Fund has unfunded liabilities as follows:

1. An initial unfunded liability of \$328 million upon which an interest contribution of \$23 million should be credited annually in accordance with the Pension Benefits Act.
2. Residual unfunded liabilities of \$1,069 million which are required to be amortized from December 31, 1976 by annual payments of (a) \$21.9 million to December 31, 1989; (b) \$5.9 million to December 31, 1980 and (c) \$93.7 million to December 31, 1990.

note 7. advances payable

	1977	1976
Central Mortgage and Housing Corporation	\$ 56	\$ 47
Ontario Municipal Employees Retirement Fund	19	14
	<u>\$ 75</u>	<u>\$ 61</u>

The Central Mortgage and Housing Corporation advances funds to the Province on an interim basis for a portion of the cost of waste control projects under construction. When a project is completed the advance is partially forgiven and the balance converted to a forty year serial debenture.

The Ontario Municipal Employees Retirement Fund deposits surplus funds with the Province and on December 31 each year receives a debenture for all funds deposited in the calendar year. The balance in "advances payable" represents deposits made between January 1 and March 31.

note 8. debentures and notes

	Payable in			
	Canadian Dollars	United States Dollars	Deutsche Marks	Total
Maturing within 1 year	\$ 68	\$	4	\$ 72
Maturing within 2-5 years	255	115	22	392
Maturing within 6-10 years	894	312	24	1,230
Maturing within 11-15 years	2,639	45	2	2,686
Maturing within 16-20 years	5,034	31		5,065
Maturing within 21-25 years	1,480	590		2,070
Maturing within 26-30 years	283	1,440		1,723
Maturing within 31-35 years	22			22
Maturing within 36-40 years	14			14
	<u>\$10,689</u>	<u>\$2,533</u>	<u>\$ 52</u>	<u>\$13,274</u>

The U.S. dollar debenture liability is recorded at par with the Canadian dollar and with the exception of \$23 million, has been incurred on behalf of Ontario Hydro. The Province holds U.S. dollar bonds of Ontario Hydro having the same terms and conditions as the debentures of the Province.

The Province has borrowings of 184 million Deutsche Marks recorded at \$52 million, the Canadian dollar equivalent at the time of issuance. At March 31, 1977, the Canadian dollar equivalent was \$81 million.

note 9. contingent liabilities

The Province is guarantor of certain obligations of Provincial Corporations, Boards, Commissions, and Agencies as follows:

	1977	1976
Ontario Hydro	\$5,694	\$5,022
Provincial Corporations	81	95
Miscellaneous	28	29
	<u>5,803</u>	<u>5,146</u>
Less: Ontario Hydro bonds held as investments of the Province	69	119
	<u>\$5,734</u>	<u>\$5,027</u>

note 10. long-term leases

The Province has long-term lease commitments for accommodation amounting to \$143 million to 1982 and an additional \$125 million for years beyond 1982. The lease payments made in 1976-77 amounted to \$43 million.

note 11. changes in accounting treatment and comparative figures

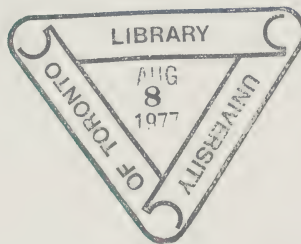
In the year ended March 31, 1977, the Province changed its practice of accounting for bi-weekly payrolls. Payments to employees for the pay period which overlaps the fiscal year end date are apportioned between the two years. This change had the effect of increasing 1977 expenditure by \$41 million.

In 1977, the Debt Transactions classification "Repayments of loans" was replaced by "Retirements of loans" to include the presentation of certain amounts of debt forgiven under the terms of agreements with the Government of Canada and the Central Mortgage and Housing Corporation. Formerly, debt forgiven was deducted from "Proceeds of loans". The amount of debt forgiven in 1977 and 1976 was \$57 and \$34 million respectively.

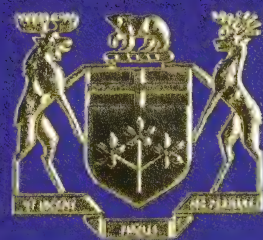
Where necessary 1976 figures have been reclassified to conform with the 1977 presentation.

note 12. anti-inflation legislation

Pursuant to the terms of an agreement between the Province of Ontario and the Government of Canada, the Province is subject to controls on compensation instituted by the Government of Canada in the Anti-Inflation Act, effective October 14, 1975.



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financial report 1978
PROVINCE OF ONTARIO

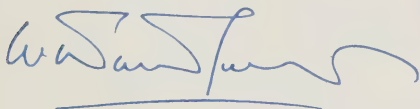
I am pleased to present the 1978 Financial Report of the Province of Ontario.

For the third successive year I can report that the Province of Ontario has reduced its rate of year over year spending growth. The determination of the Government of Ontario to control spending is the principal element of our broader goal towards a balanced budget. The revenue shortfall which we experienced in 1977-78 is only a temporary setback in our plan to reduce the public sector demand on the Ontario economy and free up resources for the private sector.

This report provides some commentary on the major aspects of Ontario's finances and presents the financial statements of the Province for the fiscal year ended March 31, 1978. The Public Accounts submitted to the Legislature annually should be referred to for detailed information. The policy aspects of Ontario's financial operations are discussed in the annual Ontario Government Budget.

It gives me special pleasure to announce that this 1978 Financial Report is also available in a French edition.

Comments or questions will be welcome and should be directed to the Treasury Division of the Ministry of Treasury, Economics and Intergovernmental Affairs.



Toronto, August 1978



HON. W. DARCY McKEOUGH, Treasurer of Ontario

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1977-78 RESULTS IN REVIEW

spending performance

For the third successive year the Province of Ontario reduced the growth rate of its spending, which for the year ended March 31, 1978 was \$13,544 million, some \$154 million less than forecast in the 1977 Budget. For the second consecutive year all unforeseen additional spending was fully financed from internal constraints and further savings found.

Growth Rate in Spending

1974-75	1975-76	1976-77	1977-78
24.7%	15.1%	10.1%	8.6%

Growth Rate in Gross Provincial Product

1974	1975	1976	1977
18.5%	9.6%	13.0%	9.1%

Expenditure control has been effected in all areas of spending, as each ministry has planned its annual program within a pre-determined expenditure total. Furthermore those agencies, boards and commissions that draw funds from the Province have been subjected to a much greater level of scrutiny and control in the budgetary process.

The cumulative effect of several years of vigilance in appraisal of over 500 program activities is steadily assuring only the most essential and effective spending.

income performance

The revenues of the Province amounted to \$11,782 million during the year, an increase over the previous year of 5.7% for all classes of income. It is also \$839 million or 6.6% less than forecast in the 1977 Budget.

There are two basic reasons for this underperformance of revenue in relation to the Budget forecast.

Firstly, there was a distortion in the actual cash flows of Personal Income Tax. The Federal Government, which collects the tax on behalf of most of the Provinces, adjusted the revenue payments downward by \$525 million during 1977-78 to compensate in part for its overpayment in the previous year and in part to correct its overestimation of tax revenue in the current year. Secondly, the general recovery of the Canadian economy has been somewhat slower than expected and this affected the projections for most of Ontario's major tax revenues. Further detail of these trends is given in the Budgetary Revenue Section of this report.

net cash requirements

Net cash requirements were \$1,762 million in 1977-78, \$444 million greater than in the previous year, and due in total to the significant revenue shortfall from the 1977 Budget Plan.

The Province was able to finance these requirements without entering the public debt markets. This was the second consecutive year that Ontario left the Canadian public market available to other borrowers.

The required financing was raised from funds available from the Canada Pension Plan and other public sector pension funds, with the balance of requirements being obtained by reducing the level of liquid reserves.

It is a reflection of Ontario's sound financial policies that the Province enjoys the highest credit rating available in the United States capital market.

ontario hydro

When Ontario Hydro finances its capital program in the United States, the Province traditionally borrows money on its behalf in that market. The Province then lends that sum on identical terms to Hydro.

In law, the Province is primarily and wholly liable to the investor, with a corresponding offsetting asset due from Hydro.

These assets and liabilities offset and the attendant interest flows are reflected in this report, the Public Accounts of the Province and in all prospectuses, unless otherwise stated.

The effect of this financing is to increase the Provincial cash outflow for both interest paid to investors and principal loaned to Hydro. The interest received and proceeds of public borrowing are similarly increased. The other effect is to increase the Province's own net cash requirements by the principal loaned to Hydro, less any repayments.

The Provincial budget, and its financial tables, are framed around the operations of the Province on its own account, and all such offsetting revenue and expenditure flows are netted out to display more clearly the Province's own account activity.

In addition the Province guarantees all debentures sold by Hydro in markets other than the U.S. In those publications that list Provincial liabilities these guarantees appear as Contingent Liabilities.

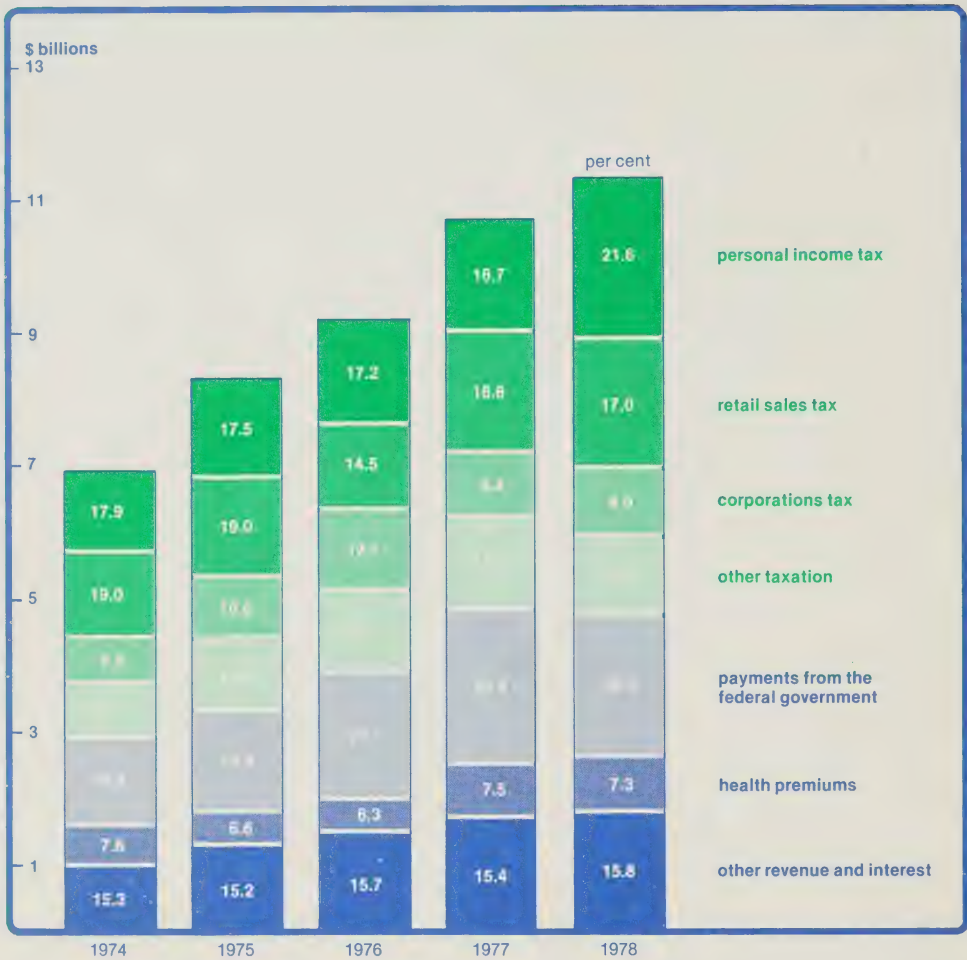
Pages 2 and 3 of this report exclude all Hydro transactions; unless otherwise stated the effect of Provincial borrowing activity on behalf of Hydro is included in all other subsequent figures where relevant.

The capital market activity of Hydro can be summarized as follows:

	1975-76	1976-77	1977-78
	(\$ millions)		
U.S. Loans (net)	529	270	392
(Provincial Liabilities)			
Other Loans (net)	1,213	720	432
(Contingent Liabilities)			
	<u>1,742</u>	<u>990</u>	<u>824</u>

BUDGETARY REVENUE

major revenue sources



The Budgetary Revenue of the Province includes its own levies for taxation, premium and fee income, interest received, and payments from the Federal Government under fiscal arrangements and shared-cost programs. Taxation is by far the largest category, accounting for almost 59% of the Budgetary Revenue.

An unusually small increase was recorded in Budgetary Revenue in 1977-78 when compared with

1976-77. The \$11,308 million yield was an increment of only 5.8% over the previous year, or 5.6% if transactions with Ontario Hydro are excluded. Essentially this was caused by the Federal recovery of overpayments made against its high estimates in the prior year, together with a smaller increase in Retail Sales Tax and Corporation Income Tax caused by a lesser economic growth than anticipated.

established programs financing

In 1976-77 Ontario received \$2,235 million in payments from the Government of Canada. Most of these payments were in respect of shared-cost programs.

For some time Ontario wished to alter the shared-cost feature of many of these programs, and in 1977 the Federal-Provincial Fiscal Arrangements and Established Programs Financing Act introduced revised arrangements for three major programs in the Health and Post-Secondary Education fields, viz. Hospital Insurance, Medicare, and Post-Secondary Education.

The result of the new arrangements was that the Federal Government transferred certain Income Tax points in favour of the Province, plus a Federal annual unconditional cash payment to the Province, which would be increased each year by a formula linked to the Gross National Expenditure to continue as Established Programs Financing. This did not affect the total income tax paid by a taxpayer, it merely altered the proportion of that tax allocated to each jurisdiction.

The effect in 1977-78 was to increase significantly the collections of Personal Income Tax. On the other hand, payments from the Government of Canada decreased.

taxation

On a strict cash flow basis, personal income tax collections improved from \$1,782 million in 1976-77 to \$2,447 million for this year. This increase is attributable mainly to the new fiscal arrangements.

These new fiscal arrangements have now established the more income sensitive Personal Income Tax as the single greatest source of Ontario's Budgetary Revenue, at almost 22%.

Retail Sales Tax showed a growth of 8.5% over 1976-77, from \$1,775 million to \$1,926 million. Given the 12.4% growth in Personal Income in Ontario, this yield was expected to be higher, however it appears that Ontario consumers, in common with those in the rest of Canada, reacted to the present economic conditions by restraining spending. In addition, this tax was removed from some energy conservation materials and equipment by the 1977 Budget. In spite of this moderate growth, Retail Sales Tax remains second only to Personal Income Tax in importance within the total Provincial taxation field, and is now about 17% of Budgetary Revenue.

Corporations Tax showed a slight increase from \$1,002 million last year to \$1,014 million in 1977-78. The increased rate of collections is very low at 1.2% partially because there were a number of tax changes favourably affecting corporations in the 1977 Budget, notably the 3% inventory allowance. The fact remains though that the trend for Corporation Tax is reflecting new low profits of many corporations in the sluggish and slower than average growth economy of the last few years. As a result this tax is declining slightly in its relative yield to the Province.

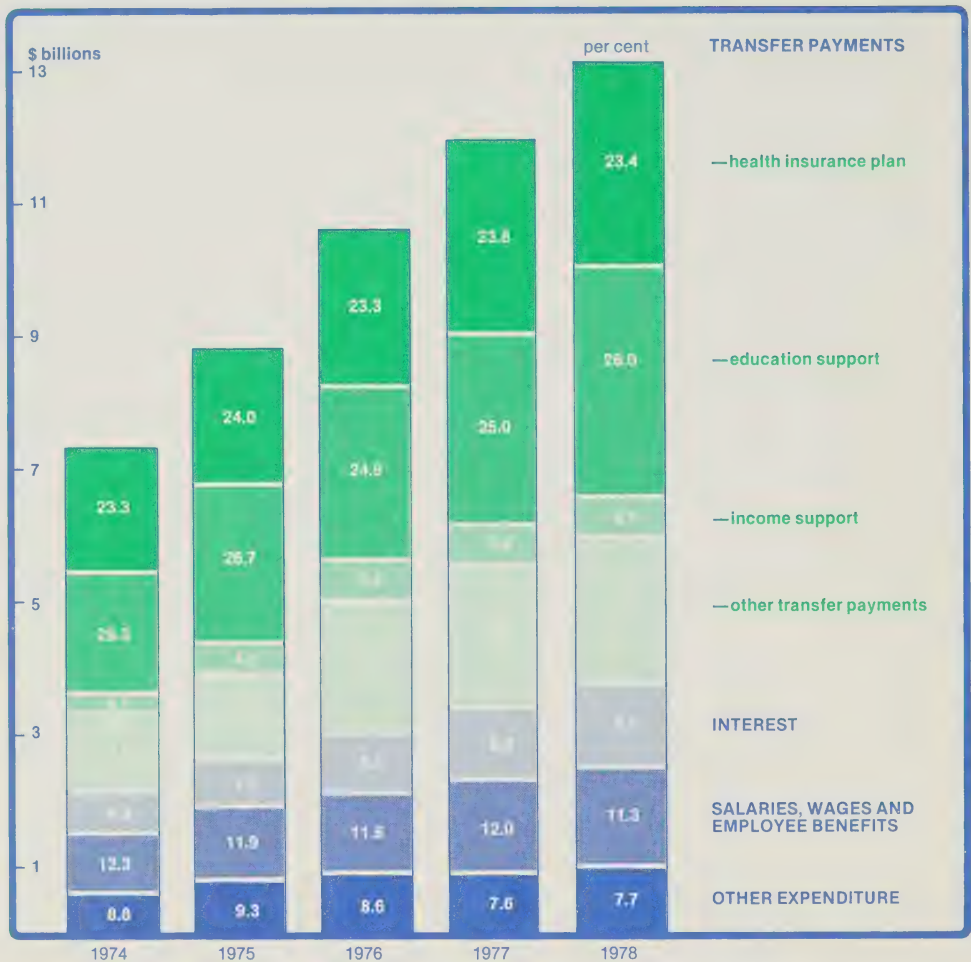
Other Taxation actually dropped by \$204 million compared to the previous year, from \$1,447 million to \$1,243 million. The chief cause was the reduction of the Federal Revenue Guarantee from \$496 million in 1976-77 to \$210 million in 1977-78. This reduction was expected as the agreement with the Federal Government expired in 1976. Receipts subsequent to the expiry date relate to adjustments of prior years' payments. There was a large decrease in Mining Profits Tax due to depressed metal prices, where collections of \$23 million were even lower than the previous year's \$42 million. Most of the other taxes in this group performed according to expectations with the exception of Tobacco Tax where the rates were increased at the beginning of the year.

Health Premiums (O.H.I.P.), being tied to insured population, only advanced by 4% during the year, whereas health costs to the Province increased by around 8%. A premium increase was introduced for the 1978-79 fiscal year to maintain an approximate 30% relationship of premium revenue to health costs, while maintaining full free coverage or premium assistance to 1.9 million people over 65 or with low taxable incomes.

Federal Government Payments declined by \$173 million to \$2,062 million substantially due to the new fiscal arrangements transfer of tax points. The first year's payments received under the new Established Programs Financing amounted to \$1,400 million.

BUDGETARY EXPENDITURE

major components



As is the case with the income side of the Province's activities, the largest proportion of the transactions fall within the Budgetary classification. Budgetary Expenditure has now risen to over 92% of total spending. This also reflects a deliberate policy to reduce lending activities which can be adequately served by private financial sources, or which can be categorized as budgetary.

Almost 72% of Budgetary Expenditure represents transfer payments to third parties, some two-thirds of which are in the Health or Education fields. The remaining budgetary expenditures consist of interest paid on debt obligations, and salaries and related costs of civil service employees, together with other expenditures which encompass the day-to-day operating costs of the Provincial Government.

ontario health insurance plan

The Ontario Health Insurance Plan provides a most comprehensive plan for medical care for the residents of Ontario, ensuring that residents are not personally faced with substantial costs at the time of illness.

Since this one Plan has absorbed some 24% of the Province's Budgetary Expenditure, it has been critical to any attempt to reduce the overall rate of growth of Provincial spending to ensure that health costs do not escalate at an excessive rate. In 1977-78 \$3,068 million was spent on transfer payments under the Plan, consisting of \$1,992 million for the operation of hospitals, \$898 million for payments to doctors, with the balance being spent on ambulances and extended health care. The total increase in percentage terms over 1976-77 was held to 8.1%, but this amounted to \$230 million.

The costs of the operation of hospitals grew by only 5.7% during the year, which reflects the Province's continuing vigilance over health costs, while during the same period 600 additional beds were approved.

Payments to doctors on the other hand grew by over 12% from \$800 million to \$898 million, in spite of the fact that the fee schedule rates were increased by only 6.5% on May 1, 1977. The balance of the increase reflects increased patient utilization of the service.

education support

The Province's support to education increased as a proportion of Budgetary Expenditure from 25.0% last year to 26.0% this year. In dollar terms, transfer payments on behalf of School Boards and Colleges and Universities were \$3,412 million in 1977-78, an increase of \$433 million.

\$1,870 million was transferred directly to School Boards, and an additional \$381 million paid on their behalf to the Teachers' Superannuation Commission as employer's matching pension contributions and unfunded liability payments. This represented increases over the preceding year of \$178 million and \$173 million respectively.

In the area of post-secondary education overall spending by the Province amounted to \$1,161 million in 1977-78, an increase of 7.7% over the previous year. Ontario's universities and colleges provided education to over 490,000 full-time and part-time students in Ontario.

The following table shows enrolment and full-time teacher statistics since 1971:

	Elementary Schools			Secondary Schools		
	Pupils	Teachers	Pupil/ Teacher Ratio	Pupils	Teachers	Pupil/ Teacher Ratio
1971	1,456,840	62,166	23.4	574,520	34,777	16.5
1972	1,445,101	61,977	23.3	583,013	34,896	16.7
1973	1,422,885	60,774	23.4	585,725	34,366	17.0
1974	1,404,839	61,102	23.0	589,650	34,794	16.9
1975	1,389,478	63,223	22.0	605,160	36,467	16.6
1976	1,360,085	62,956	21.6	613,055	36,046	17.0
1977	1,329,396	62,318	21.3	613,833	36,214	17.0

budgetary expenditure—continued

income support

The major elements of income support are payments made to individuals under the Family Benefits Act and the General Welfare Assistance Act. Family Benefits are made available by the Province to those persons who have insufficient income to support themselves, and who are likely to be in this situation on a long term basis. Persons who have a similar short term problem obtain benefits from their municipality. The Province assists the municipality under the provisions of the General Welfare Assistance Act. In 1977-78 \$550 million in total was paid under both Acts, an increase of some 12% over the previous year.

The other major component of income support is the payment of Guaranteed Annual Income Supplements, which decreased from \$118 million in 1976-77 to \$108 million this year. This drop of a little under 8% stems from certain adjustments made in eligibility and other criteria in 1976 and 1977.

It should be noted that while these three transfer payments are significant, they are by no means the only form of support given to low income earners.

In 1977-78 the Province expended \$72 million towards prescription drugs for eligible residents. It also subsidized housing to the extent of \$81 million. In addition to this the Province refunded \$428 million of tax credits via the personal income tax collection system to reduce Property Tax and Retail Sales Tax impact while granting \$280 million in O.H.I.P. Premium Relief.

The total assistance to low and medium income families in Ontario amounted to around \$1,500 million.

other transfer payments

Other Transfer Payments include numerous payments that the Province provides throughout

the year covering support to a wide range of individuals and organizations. In 1977-78 these totalled some \$2,239 million, an increase of \$152 million over the previous year. A large part of this growth is attributable to increased road subsidies to municipalities, the initiation of the Ontario Youth Employment Program and funding of projects, facilities and events from profits of the Ontario Lottery Corporation.

interest

Interest on the Public Debt was \$1,242 million in 1977-78. No deduction is made for the interest received on loans made to Ontario Hydro, or to any other body that has been financed by a loan or an advance from Ontario. During the year the Province received interest of \$648 million from all funds invested, thus the net interest cost was \$594 million.

The table below compares the interest paid on funds borrowed for Provincial purposes to the total interest payments on all borrowings, including those on behalf of Ontario Hydro.

salaries, wages and employee benefits

Reflecting the continuing constraint in growth and salary settlements in the Civil Service, the expenditure for salaries, wages and employee benefits accounted for \$1,486 million a rate of growth of only 4% over 1976-77.

This nominal growth rate was influenced however by the effect of retroactive salary payments, timing of a payment on amortization of pension liabilities, and the accounting method change which caused twenty-seven bi-weekly pays to be included in 1976-77 as described in last year's report. The direct salary increases awarded for contract periods commencing during the year amounted to less than 6%.

Interest Paid

	(\$ millions)				
	1973-74	1974-75	1975-76	1976-77	1977-78
Including Ontario Hydro	603	688	867	1,069	1,242
Excluding Ontario Hydro	524	590	724	890	1,033

As illustrated, salaries, wages and employee benefits now stand at 11.3% of total Budgetary Expenditure, the lowest percentage in the five year period.

NON-BUDGETARY EXPENDITURE disbursements

These disbursements are mainly loans and advances made by the Province to other provincial and public sector agencies. Almost all loans carry a market rate of interest and are repayable.

Ontario Hydro is currently the major beneficiary of these loans, receiving \$450 million borrowed on its behalf by the Province in the United States.

In past years, a total of some \$2,500 million was loaned for the construction of schools and post-secondary institutions. This need has now been largely filled resulting in a marked decline in loans of this nature.

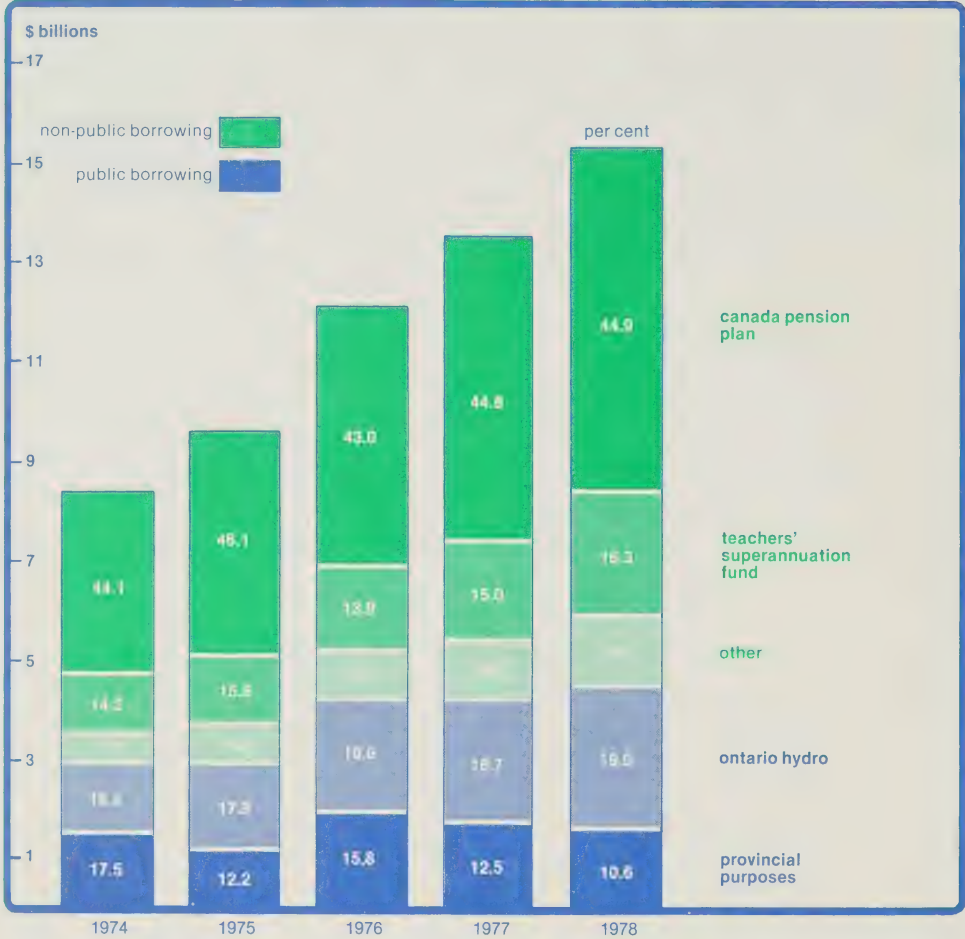
The Province, in these instances, paid grants to enable these educational organizations to repay the loans, thereby committing itself to make a stream of grant payments over a future time period. In the future, new financial support of this nature will be recognized as a direct grant payment under Budgetary Expenditures.

charges

These charges are the payment of monies out of trust, and special funds held for third parties, about half of which total amount represents payments from pension funds in custody of and administered by the Province. Although included in the budget plan for cash planning purposes, the payments are made in accordance with the terms of the trust administration and are not generally a function of the Government's operational plan.

FUNDED DEBT AT MARCH 31

major components



The chart above shows the total funded debt outstanding at the end of each year, currently accounting for about 88% of all the Province's liabilities. Virtually all the funded debt is in the form of long-term debentures, the major exception being \$130 million of 91 day Treasury Bills.

The debts incurred by the Province of Ontario on behalf of Ontario Hydro are U.S. debenture issues. Of the outstanding debentures for provincial purposes, \$49 million is repayable in Deutsche Marks, and \$21 million is repayable in U.S. funds. All other debts are repayable in Canadian currency.

All debentures issued directly to the public by Ontario Hydro are guaranteed by the Province. These are therefore shown in the Provincial Accounts as contingent liabilities and amount to \$6,114 million at March 31, 1978.

In 1977-78 funded debt, net of retirements, increased by \$1,862 million. Of this net increase, \$1,470 million was for Provincial purposes and the balance of \$392 million was for Ontario Hydro purposes. The Province did not issue any debentures to the public market during the year, all of the borrowing requirements for Provincial purposes being supplied by non-public pension plans.

This non-public pension source continues to be the significant supplier of financing for the Province. Ontario now has outstanding funded obligations to three pension plans, Canada Pension Plan, Teachers' Superannuation Fund, and the Ontario Municipal Employees Retirement System totalling \$10,522 million.

Given the growth in non-public financing, the relative decline in significance of public issues continues. In fact, Ontario reduced its outstanding own account public funded debt by \$66 million in the year, to only \$1,613 million or 10.6% of the total.

funded debt characteristics

Some selected statistics of the Province's funded debt at March 31, 1978 are shown in the table below.

The average term to maturity of the debt outstanding is 17.0 years, unchanged from the average term at March 31, 1977. Within this overall average however, is an increase in the average term of debt held by the public sector from 17.8 years to 18.3 years and a decrease in the non-public sector from 16.6 years to 16.5 years over the same one year period. The principal reason for this effect is that issues to the Canada Pension Plan are for a 20 year term whereas most of the other borrowings are issued on 25 or 30 year terms.

In the next five years 5.1% of the funded debt will mature and a further 11.5% will mature in the five next following. The five year period for heaviest maturities will be to March 31, 1998, when 36.2% of the outstanding funded debt will mature, the largest single maturity being that same year when 9.6% of the debt is due.

While the absolute level of funded debt has increased, it has not risen markedly when compared to the increase in G.P.P. over the last five years. The ability of the economy to support the debt has not therefore been significantly affected. Over the past five years to date the ratio of funded debt to Gross Provincial Product has ranged between .16 and .19.

Selected Funded Debt Statistics as at March 31, 1978

	As a Percentage of Total	Average Term to Maturity	Average Cost ¹ to the Province	Average Annual Rate of Growth March 31, 1974- March 31, 1978
	(%)	(years)	(%)	(%)
Publicly-Held				
Provincial Purposes	10.6	10.2	7.3	5.6
Ontario Hydro Purposes	19.0	22.8	8.2	20.5
Total Publicly-Held Debt	29.6	18.3	7.9	13.8
Non-Public				
Canada Pension Plan	44.9	14.9	7.9	16.7
Other	25.5	19.3	8.3	20.4
Total Non-Public Debt	70.4	16.5	8.1	17.9
Total Funded Debt	100.0	17.0	8.0	16.6

¹Includes transactions costs.

funded debt at March 31—continued

consolidated funded debt of the ontario public sector

Ontario has always followed a policy of substantial centralized financing and support of municipalities and other government agencies, thereby gaining significant benefits in public sector financing costs and in keeping proliferation of public sector borrowing to an absolute minimum.

While some of these public sector jurisdictions have issued their own debt, they also have considerable independent revenue sources. The discussion which follows analyzes the total funded debt.

In recent years, only the Province, Ontario Hydro and a few large municipalities have issued funded debt to the public. Universities, colleges, hospitals and associated operations also have obligations outstanding to the public but this accounts for less than 1% of total funded debt of the entire Ontario public sector. The liability of \$1,218 million of Housing Corporations is represented by debentures issued to a Federal Agency. The Province reserves the use of its guarantee almost exclusively for Ontario Hydro.

From the table below it can be seen that the Province has either issued or guaranteed 82.7% of the funded debt of the entire provincial public sector, with the next largest group of borrowers being Local Governments with 11.9%. These ratios, together with the amount of Intra-Sector Borrowing, representing

debt incurred at the Provincial level on behalf of other jurisdictions, very clearly illustrate the degree of centralization of liabilities at the Provincial level. The consolidated funded debt increased to \$25,857 million at March 31, 1978 from \$23,312 million a year earlier. Of this increase, \$2,278 million or 90%, was in the form of direct or contingent Provincial obligations.

The year over year increase in funded debt was 11%, an increment that was less than the annual increase in Personal Income of 12.4% in the same period.

Nearly 35% or \$9,015 million of the total has been borrowed by, or on behalf of, Ontario Hydro. These borrowings have been used exclusively to acquire and construct electrical generation and related plants for the Province. In addition to providing for anticipated energy needs in the future, the capital program is also designed to lessen Ontario's dependence on foreign fuel sources.

Funded Debt of the Ontario Public Sector (\$ millions)

	Estimated as at March 31, 1978				March 31, 1977
	Gross Debt	Intra-Sector Borrowing	Consolidated Debt	%	Consolidated Debt
Province of Ontario					
Direct	15,266		15,266	59.0	13,404
Guaranteed*	6,124		6,124	23.7	5,708
Housing Corporations**	1,218		1,218	4.7	1,136
Local Governments	4,795	1,707	3,088	11.9	2,922
Universities and Colleges	1,348	1,260	88	0.4	83
Hospitals and Associated Operations	321	248	73	0.3	59
Total	29,072	3,215	25,857	100.0	23,312

* Excludes bank loans

** Issued to a Government of Canada Agency

SELECTED FINANCIAL AND ECONOMIC STATISTICS

March 31	1974	1975	(\$ millions) 1976	1977	1978
consolidated revenue fund inflows					
Budgetary Revenue	6,922	8,275	9,152	10,692	11,308
Non-Budgetary Receipts and Credits	360	724	556	664	741
consolidated revenue fund outflows					
Budgetary Expenditure	7,302	8,821	10,632	11,921	13,129
Non-Budgetary Disbursements and Charges	911	1,483	1,404	1,023	1,074
cash requirements	931	1,305	2,328	1,588	2,154
net cash requirements ¹	707	977	1,799	1,318	1,762
liabilities					
Debentures, notes and treasury bills					
Provincial Purposes	7,008	7,844	9,818	10,894	12,365
On behalf of Ontario Hydro	1,382	1,710	2,240	2,510	2,901
Other	1,000	1,278	1,486	1,783	2,115
Total Liabilities	9,390	10,832	13,544	15,187	17,381
contingent liabilities					
Funded Debt (debentures, bonds and notes)	3,276	3,795	5,030	5,708	6,124
Total Contingent Liabilities	3,330	3,843	5,027	5,735	6,152
ontario public sector funded debt ²	15,196	17,010	20,933	23,312	25,857
gross provincial product at market prices ³	50,557	59,893	65,655	74,178	80,965
gross provincial product in constant (1971) prices ³	44,116	45,477	44,816	46,246	47,376
personal income (ontario) ³	39,884	47,151	53,988	61,375	69,015
personal income (ontario) per capita (june 1 population) (in dollars)	5,043	5,854	6,606	7,426	8,242
cash requirements/GPP	1.8%	2.2%	3.5%	2.1%	2.7%
debentures, notes and treasury bills/GPP	16.6%	16.0%	18.4%	18.1%	18.9%
ontario public sector funded debt/GPP	30.1%	28.4%	31.9%	31.4%	31.9%

¹Net cash requirements excludes transactions relating to funds borrowed on behalf of Ontario Hydro.

²Ontario public sector funded debt is the funded debt of the Province and all provincial agencies, boards and commissions including local governments net of intra-sector borrowing.

³Gross provincial product and personal income are calculated on a calendar year basis. The amounts appearing in a fiscal year column are the preceding calendar year statistics.

summary of significant accounting policies

the accounting entity

In the operation of its financial affairs the Province of Ontario employs the concept of a Consolidated Revenue Fund, unique to the parliamentary system of government. The financial transactions of government ministries are recorded and displayed as Consolidated Revenue Fund cash inflows and outflows. With respect to the financial operations of provincial crown corporations, agencies, boards and commissions, the financial statements of the Consolidated Revenue Fund reflect only the extent to which their operations have been financed from or have contributed to the Fund for the year.

the accounting basis

The Province of Ontario uses the cash basis of accounting for its financial transactions, modified to allow an additional thirty days to pay for goods and services pertaining to the fiscal year just ended. In this regard, payments to employees for the pay period which overlaps the fiscal year end date are apportioned between the two years. The cash basis of accounting, modified as described, is used to disclose to the public the stewardship of the Government in regard to monies entrusted by appropriation, and raised through taxes and borrowing. Revenues and expenditures being unrelated in nature are matched only by timing of cash flow.

classification of transactions

The transactions of the Province of Ontario are presented in summary form according to the three distinct areas of government activity through the Consolidated Revenue Fund.

“Budgetary Transactions” are operational activities which include the revenues raised through taxation, premiums, fees, licences and permits, payments from the federal government under shared-cost programs, and income from investments. Expenditures on government programs include payments for goods and services, interest on the public debt, salaries, transfer payments to individuals, municipalities and institutions under various social programs, subsidies and grants, and the acquisition or creation of fixed assets. The extent to which revenue exceeds or falls short of expenditure directly decreases or increases the net debt of the Province.

“Non-Budgetary Transactions” are the lending, investment and trust administration functions which include, as distinct from expenditure,

the government lending and investment activity in various crown corporations, agencies and municipalities. All of these loans and advances are repayable or represent equity holdings supported by the assets of the corporations. Also included in this category is the activity within deposit, trust and certain special purpose accounts. “Disbursements” is the term used to describe the lending and investment transactions of the government. “Receipts” consist of the repayment of loans or recovery of investments. “Credits” is the term used to describe payments into deposit, trust and special purpose accounts. Payments made from these same accounts are termed “Charges”.

“Debt Transactions” are the borrowing and repayment transactions which include obligations issued to both non-public and public sources of funds.

assets and liabilities

The assets and liabilities reported in the financial statements are financial claims which have been created by cash transactions. The assets are claims by the Consolidated Revenue Fund on other parties. The liabilities are claims by other parties on the Consolidated Revenue Fund.

Since expenditures on fixed assets are not considered to differ from any other service to the public, they are expensed as budgetary items in the year of acquisition. Neither do they represent financial claims on others and are therefore not reported as balance sheet assets.

Debentures, notes and treasury bills are recorded as liabilities at the face value of the debt instrument, and discount, premium and commission expenses are treated as current year budgetary transactions. The general resources of the Province are used for the continued orderly retirement of debt and no sinking funds are maintained for this purpose.

The contingent liabilities of the Province consist of guarantees by the Treasurer of Ontario of debt instruments issued by provincial agencies, boards and commissions and bank loans under certain government programs. Other significant legal commitments and liabilities are disclosed in notes to the financial statements.

The net debt of the Province is the excess of liabilities over recorded assets. It is also the accumulation of all budgetary deficits and surpluses since Confederation. The year-to-year change in net debt is the amount by which revenues exceed or are less than budgetary expenditures.

STATEMENT OF CONSOLIDATED REVENUE FUND

for the year ended March 31, 1978

	1978 (\$ millions)	1977 (\$ millions)
opening balance		
Cash, temporary investments and marketable securities	804	1,031
budgetary transactions		
Revenue	11,308	10,692
Expenditure	13,129	11,921
Budgetary deficit	(1,821)	(1,229)
non-budgetary transactions		
Loans, advances and investments		
Receipts	321	265
Disbursements	949	907
Net increase in loans, advances and investments	(628)	(642)
Trust administration functions		
Credits	420	399
Charges	125	116
Net increase in trust administration functions	295	283
Non-budgetary transactions (net) *	(333)	(359)
cash requirements *	(2,154)	(1,588)
debt transactions		
Proceeds of loans	2,036	1,667
Retirements of loans	138	306
Debt transactions (net) *	1,898	1,361
closing balance		
Cash, temporary investments and marketable securities	548	804

* Includes borrowing and lending on behalf of Ontario Hydro. See note 2.

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

BUDGETARY REVENUE

for the year ended March 31, 1978

	1978 (\$ millions)	1977 (\$ millions)
taxation		
Personal income tax (note 10)	2,447	1,782
Retail sales tax	1,926	1,775
Corporations tax	1,014	1,002
Gasoline tax	523	508
Federal government income tax revenue guarantees	210	496
Tobacco tax	206	157
Motor vehicle fuel tax	85	79
Succession duty	73	62
Land transfer tax	62	52
Other	84	93
	<u>6,630</u>	<u>6,006</u>
other revenue		
Premiums - Ontario Health Insurance Plan	830	799
Profits from crown corporations and boards		
Liquor Control Board of Ontario	327	302
Ontario Lottery Corporation	71	76
Vehicle registration fees	267	223
Liquor Licence Board - fees	93	84
Other fees and licences	114	106
Fines and penalties	59	51
Royalties	49	42
Utility service charges	48	36
Other	110	109
	<u>1,968</u>	<u>1,828</u>
government of canada		
Established Programs Financing (note 10)	1,400	
Hospital Insurance and Diagnostic Services Act	29	1,027
Medical Care Act	7	360
Canada Assistance Plan	416	472
Post-Secondary Education Adjustment Payment		190
Other	210	186
	<u>2,062</u>	<u>2,235</u>
interest on loans, advances and investments (note 2) ...	<u>648</u>	<u>623</u>
total budgetary revenue	<u>11,308</u>	<u>10,692</u>

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

BUDGETARY EXPENDITURE

for the year ended March 31, 1978

	1978 (\$ millions)	1977 (\$ millions)
social development policy field		
Health	3,644	3,349
Education	2,342	1,986
Colleges and Universities	1,258	1,157
Community and Social Services	1,116	1,036
Culture and Recreation	192	144
	<u>8,552</u>	<u>7,672</u>
resources development policy field		
Transportation and Communications	1,035	917
Natural Resources	242	231
Housing	172	157
Agriculture and Food	170	165
Environment	114	99
Industry and Tourism	53	56
Labour	29	23
Energy	7	4
	<u>1,822</u>	<u>1,652</u>
justice policy field		
Solicitor General	153	144
Attorney General	130	116
Correctional Services	126	107
Consumer and Commercial Relations	63	61
	<u>472</u>	<u>428</u>
general government		
Treasury, Economics and Intergovernmental Affairs	410	483
Government Services	271	296
Revenue	195	198
Northern Affairs	113	86
Office of the Assembly	30	17
Other	22	20
	<u>1,041</u>	<u>1,100</u>
public debt - interest (note 2)	<u>1,242</u>	<u>1,069</u>
total budgetary expenditure	<u>13,129</u>	<u>11,921</u>

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

NON - BUDGETARY TRANSACTIONS

for the year ended March 31, 1978

	1978	1977
	(\$ millions)	(\$ millions)
loans, advances and investments		
Receipts		
Ontario Hydro - advances secured by bonds	58	30
Nuclear power generating station - Pickering (note 2)	22	20
Other corporations, boards and commissions		
The Ontario Education Capital Aid Corporation	62	57
The Ontario Universities Capital Aid Corporation	27	24
Ontario Mortgage Corporation	21	28
Other	59	42
Water treatment and waste control facilities	35	32
Loans to municipalities	18	16
Other loans and investments	19	16
	<u>321</u>	<u>265</u>
Disbursements		
Ontario Hydro	450	300
Other corporations, boards and commissions		
Ontario Mortgage Corporation	85	181
Ontario Housing Corporation	30	36
The Ontario Education Capital Aid Corporation	81	77
The Ontario Universities Capital Aid Corporation	34	33
Other	59	55
Water treatment and waste control facilities	135	146
Loans to municipalities	44	43
Other loans and investments	31	36
	<u>949</u>	<u>907</u>
net increase in loans, advances and investments	<u>628</u>	<u>642</u>
trust administration functions		
Credits		
Pension funds	253	241
Deposit, trust and reserve accounts	161	105
The Province of Ontario Savings Office Deposits - net increase	6	53
	<u>420</u>	<u>399</u>
Charges		
Payments from pension funds and deposit, trust and reserve accounts	125	116
net increase in trust administration functions	<u>295</u>	<u>283</u>

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

DEBT TRANSACTIONS

for the year ended March 31, 1978

	1978 (\$ millions)	1977 (\$ millions)
proceeds of loans		
Non - public		
Canada Pension Plan Investment Fund	851	813
Teachers' Superannuation Fund	488	334
Ontario Municipal Employees Retirement Fund	190	180
Central Mortgage and Housing Corporation - waste control loans	57	40
	<u>1,586</u>	<u>1,367</u>
 Public		
On behalf of Ontario Hydro	450	300
	<u>450</u>	<u>300</u>
 total proceeds of loans	<u>2,036</u>	<u>1,667</u>
 retirements of loans		
Non - public		
Government of Canada, Federal - Provincial Employment Incentive Programs	3	34
Government of Canada, Municipal Development Loan Board ..	5	5
Central Mortgage and Housing Corporation - waste control loans	6	6
	<u>14</u>	<u>45</u>
 Public		
On behalf of Ontario Hydro	58	30
For general purposes	66	36
Treasury bills (net)		195
	<u>124</u>	<u>261</u>
 total retirements of loans	<u>138</u>	<u>306</u>

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

STATEMENT OF ASSETS AND LIABILITIES

as at March 31, 1978

	1978 (\$ millions)	1977 (\$ millions)
assets		
Cash, temporary investments and marketable securities (note 1)	548	804
Advances to Ontario Hydro (note 2)	2,926	2,557
Advances and investments - other corporations, boards and commissions (note 3)	4,455	4,333
Investments in water treatment and waste control facilities (at cost less recoveries) (note 4)	880	780
Loans to municipalities	325	299
Other loans and investments (note 5)	269	257
Total recorded assets	9,403	9,030
Net debt	7,978	6,157
	<u>17,381</u>	<u>15,187</u>
liabilities		
Deposits with The Province of Ontario Savings Office	345	339
Pension funds (note 6)	1,336	1,140
Deposit, trust and reserve accounts	322	229
Advances payable	112	75
Treasury bills	130	130
Debentures and notes (note 7)	15,136	13,274
	<u>17,381</u>	<u>15,187</u>
Contingent liabilities (note 8)	<u>6,152</u>	<u>5,735</u>

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

Approved on behalf of the Ministry of Treasury, Economics and Intergovernmental Affairs:
A. RENDALL DICK, Deputy Treasurer of Ontario and Deputy Minister of Economics and Intergovernmental Affairs.
G. McINTYRE, F.C.A., Executive Director, Treasury Division.

notes to the financial statements

(all figures in millions of dollars)

1. cash, temporary investments and marketable securities

Temporary investments, which include obligations of Canadian chartered banks and other short-term investments, are recorded at cost. Marketable securities, which include debentures and bonds issued by the Province of Ontario and Ontario Hydro, are recorded at cost which was \$82 million at March 31, 1978 (1977 \$105 million). The market value of these securities was \$80 million at March 31, 1978 (1977 \$102 million).

2. advances to ontario hydro

	1978	1977
Secured by bonds	\$2,901	\$2,510
Nuclear power generating station - Pickering	25	47
	<u>\$2,926</u>	<u>\$2,557</u>

The Province, in addition to guaranteeing all Ontario Hydro debt obligations, has issued U.S. dollar debentures on behalf of Ontario Hydro. The proceeds have been advanced to Ontario Hydro in exchange for U.S. dollar bonds with the same terms and conditions as the debentures of the Province. These borrowing and lending transactions, which fall outside the Province's own budget framework, increased the Province's level of non-budgetary transactions, cash requirements and debt transactions by \$392 million (1977 \$270 million). In addition, the interest payments related to such borrowing and lending transactions increased the level of budgetary revenue and budgetary expenditure by \$209 million (1977 \$178 million).

The Province, by agreement with Ontario Hydro and Atomic Energy of Canada Limited, contributed \$100 million to the capital cost of the Pickering nuclear power generating plant and under the terms of the agreement receives payments based on the net operational advantages of the plant. These payments, which have amounted to \$75 million, have been applied to reduce the advance.

3. advances and investments - other corporations, boards and commissions

	1978	1977
The Ontario Education Capital Aid Corporation	\$1,274	\$1,254
The Ontario Universities Capital Aid Corporation	1,232	1,225
Ontario Mortgage Corporation	758	694
Ontario Housing Corporation	349	330
Ontario Land Corporation	332	338
Development Corporations	179	157
Ontario Energy Corporation	100	100
Other	231	235
	<u>\$4,455</u>	<u>\$4,333</u>

The Ontario Education Capital Aid Corporation receives government advances to purchase bonds or debentures issued by school boards for capital expansion programs. The securities held by the Corporation are the obligations of the individual school boards. Under current support arrangements for local school boards, a portion of approved operating costs (which include interest and principal payments) is covered by provincial grants.

The Ontario Universities Capital Aid Corporation employs government advances to purchase bonds or debentures issued by provincial universities, colleges, the Art Gallery of Ontario, the Royal Ontario Museum and municipalities on behalf of public libraries, for approved capital construction projects. The securities held by the Corporation are the obligations of the issuing institutions. However, under the Province's current program of financial support of post-secondary education, these institutions received annual budgetary grants in 1978 of \$112 million (1977 \$109 million) from the Province to cover the full amount of principal and interest due to the Corporation.

Ontario Mortgage Corporation utilizes Provincial funds to provide subsidized mortgages for home ownership and rental accommodation. The programs are directed at low to moderate income groups and areas with low vacancy rates. The Province paid subsidies amounting to \$1.8 million in 1978 (1977 \$1.6 million) to the Corporation for certain loans made at interest rates lower than cost.

Ontario Housing Corporation plans, constructs and manages residential housing projects. Financing is provided by the Province and Central Mortgage and Housing Corporation (a federal crown corporation). Operating subsidies are shared by the Province, Central Mortgage and Housing Corporation, and municipalities. The Province's share of the subsidy for the calendar year 1977 was \$80 million (1976 \$67 million).

Ontario Land Corporation employs advances from the Province to assemble land for new communities and industrial parks in Ontario. The assets of the Corporation are primarily land.

Ontario Development Corporation and the related Eastern Ontario Development Corporation and Northern Ontario Development Corporation are lenders of last resort for the encouragement and expansion of manufacturing and tourist operations in slow growth areas, the expansion of exports and substitution of imports, and the launching of new products and techniques. The Province's investment is made up of \$7 million in equity and the remainder in advances. The Corporations have a \$6 million equity investment in industrial parks, but the bulk of the assets are loans. The Corporations received payments of \$11.9 million in 1978 (1977 \$16.4 million) to cover loans forgiven and written off.

Ontario Energy Corporation was established with a \$100 million equity investment by the Province to develop energy sources for Ontario through investment in energy exploration, development and production. The Corporation's major involvement is a 5% equity position in Syncrude Canada Ltd. (a joint venture of government and private enterprise to establish a synthetic crude oil plant in the tar sands of northern Alberta). The Corporation has also been participating in the research aspects of the Polar Gas Project which is studying the movement of natural gas from the eastern high Arctic to southern markets. At March 31, 1978 the Corporation had invested \$89 million in Syncrude and \$11 million in the Polar Gas Project.

4. investments in water treatment and waste control facilities

The Ministry of the Environment lets extensive contracts for the building of water and sewage systems to serve municipalities. These investments are being recovered over the life of agreements with the municipalities. Certain of the agreements provide for the accumulation of the principal portion of annual amortization payments in a sinking fund. The accumulated balance in such funds (included in deposit, trust and reserve accounts) was \$41 million at March 31, 1978 (1977 \$38 million). Other agreements are for projects which are subject to service rate billings. The amount received from service rate billings in 1978 was \$48 million (1977 \$34 million) of which \$8.3 million (1977 \$6.5 million) was applied to reduce the investment account.

5. other loans and investments

Included in other loans and investments are Ministry of Health capital construction loans to public hospitals amounting to \$256 million (1977 \$243 million). During the 1978 fiscal year, the Province made grants of \$17.9 million (1977 \$16.2 million) to assist public hospitals in meeting principal and interest payments.

6. pension funds

	1978	1977
Public Service Superannuation Fund.....	\$1,324	\$1,129
Legislative Assembly Retirement Allowances Account	12	11
	<u>\$1,336</u>	<u>\$1,140</u>

The Province of Ontario maintains deposit accounts within the Consolidated Revenue Fund for all contributions and interest earnings less pension payments for both the Public Service Superannuation Fund and Legislative Assembly Retirement Allowances Account. The amounts recorded by the Province are essentially the sole assets of these pension plans.

Based on an actuarial report as at December 31, 1976, the Public Service Superannuation Fund had unfunded liabilities as follows:

1. An initial unfunded liability of \$83 million, upon which an interest contribution of \$6 million is required to be credited annually in accordance with The Pension Benefits Act.
2. Residual unfunded liabilities of \$422 million which are required to be amortized by annual payments of \$49 million until January 1, 1990 and \$32 million on January 1, 1991 and 1992.

As at March 31, 1978, the Province had made all scheduled payments.

An actuarial review of the Legislative Assembly Retirement Allowances Account as at March 31, 1978, received subsequent to the fiscal year end, reported an unfunded liability of \$3 million. The policy of the government, in regard to this account, is to contribute the amount of unfunded liabilities when they are reported.

Teachers' Superannuation Fund

Through the budgetary expenditures of the Ministry of Education, the Province of Ontario makes annual contributions to the Teachers' Superannuation Fund (which is administered by the Teachers' Superannuation Commission) equal in amount to contributions by members. Further, the Province is committed to paying any deficiency in the Fund.

Based on an actuarial report as at December 31, 1975, the Teachers' Superannuation Fund had unfunded liabilities as follows:

1. An initial unfunded liability of \$328 million upon which an interest contribution of \$23 million is required to be credited annually in accordance with The Pension Benefits Act.
2. Residual unfunded liabilities of \$1,069 million which are required to be amortized by annual payments of \$121 million until December 31, 1980, \$116 million from December 31, 1981 to December 31, 1989 and \$94 million on December 31, 1990.

As at March 31, 1978, the Province had made all scheduled payments.

7. debentures and notes

Years of Maturity, Mar. 31	1978 Payable in				1977
	Canadian Dollars	United States Dollars	Deutsche Marks	Total	Total
1978	\$	\$	\$	\$	\$ 72
1979	82	43	4	129	132
1980	67	29	4	100	100
1981	45		7	52	52
1982	62	39	7	108	108
1983	122	125	7	254	
1-5 years	378	236	29	643	464
6-10 years	1,554	185	20	1,759	1,230
11-15 years	2,856	44		2,900	2,686
16-20 years	5,376	155		5,531	5,065
21-25 years	1,753	618		2,371	2,070
26-30 years	210	1,684		1,894	1,723
31-35 years	25			25	22
36-40 years	13			13	14
	<u>\$12,165</u>	<u>\$ 2,922</u>	<u>\$ 49</u>	<u>\$15,136</u>	<u>\$13,274</u>

The U. S. dollar debenture liability is recorded at par with the Canadian dollar and with the exception of \$21 million, has been incurred on behalf of Ontario Hydro. The Province holds U. S. dollar bonds of Ontario Hydro having the same terms and conditions as the debentures of the Province.

The Province has borrowings of 169 million Deutsche Marks recorded at \$49 million, the Canadian dollar equivalent at the time of issue. At March 31, 1978, the Canadian dollar equivalent was \$95 million.

8. contingent liabilities

The Province is guarantor of certain debt obligations as follows:

	1978	1977
Debentures, Bonds and Notes		
Ontario Hydro	\$6,114	\$5,693
Provincial Crown Agencies	10	15
	6,124	5,708
Less: Ontario Hydro bonds held as investments of the Province	60	71
	6,064	5,637
Bank Loans Guaranteed		
Provincial Crown Agencies	9	7
Corporations and individuals through various Government programs	79	91
	<u>\$6,152</u>	<u>\$5,735</u>

9. long - term leases

The Province has long - term lease commitments for accommodation amounting to \$153 million to 1983 and an additional \$124 million for years beyond 1983. The lease payments made in 1977 - 78 amounted to \$51 million.

10. established programs financing

In 1977 the Province of Ontario agreed to revised fiscal arrangements with the Government of Canada in regard to the major cost - sharing agreements. In general terms, the new agreement provided for a replacement of the cost - sharing for hospital insurance and diagnostic services, medical care and post - secondary education with a transfer of new tax room to the Province in the personal income tax field and a cash payment which will grow annually at a rate based on the Gross National Expenditure. At the same time a similar cash payment was established for Extended Health Care which had previously been funded under the Canada Assistance Plan. The cash payments are reported as Established Programs Financing in the statement of Budgetary Revenue. These new arrangements are in effect until at least March 31, 1982.

11. comparative figures

Where necessary, 1977 comparative figures have been reclassified to conform with the 1978 financial statement presentation.

12. anti-inflation legislation

Pursuant to the terms of an agreement between the Province of Ontario and the Government of Canada, the Province is subject to controls on compensation instituted by the Government of Canada in the Anti-Inflation Act, effective October 14, 1975.

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Government
Publications

Province of Ontario

Financial report
1979

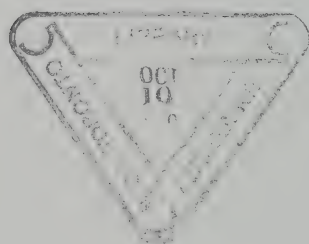


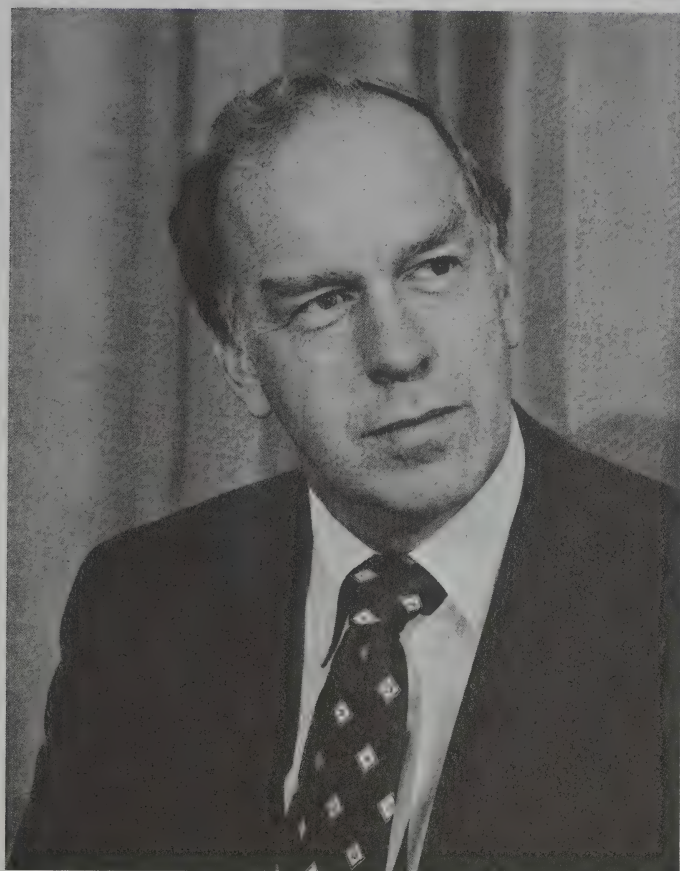
Province of Ontario

Ministry of Finance & Revenue

Financial report
1979







HON. FRANK S. MILLER, Treasurer of Ontario

I am pleased to present the 1979 Financial Report of the Province of Ontario.

The year which ended on March 31, 1979 represented another successful step in achieving fiscal restraint for the Province of Ontario. It was the fourth successive year that there was a decline in the year over year spending growth rate. Both Budgetary deficit and net cash requirements were at lower levels than the previous year and the Government managed to offset unexpected expenditure requirements against reduced expenditures in other areas.

This Report provides some commentary on the major aspects of Ontario's finances and presents the financial statements of the Province for the fiscal year ended March 31, 1979. The Public Accounts submitted to the Legislature annually should be referred to for more detailed information. The policy aspects of Ontario's financial operations are discussed in the annual Ontario Government Budget.

Comments or questions will be welcome and should be directed to the Treasury Division of the Ministry of Treasury and Economics.

A handwritten signature in dark ink, reading "Frank S. Miller". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Toronto, September 1979

Copies in either English or French may be obtained from:
ONTARIO GOVERNMENT BOOK STORE
880 Bay Street
Toronto, Ontario M7A 1N8
(416) 965-2054

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Toronto, Ontario M7A 1N8
(416) 965-2054

The year in review

Ontario continued to make progress in its policy of fiscal restraint as reflected in a lower budgetary deficit and net cash requirements position. The fiscal plan outlined in the 1978 Budget was subjected to some significant changes during the year, but the final results showed improvements in both revenue and expenditure which kept the Province's finances on the desired course.

The main adjustment to the Budget came early in the fiscal year when there was a simultaneous announcement by the Treasurer of Ontario and the Minister of Finance of Canada of new initiatives to stimulate the Canadian economy. A joint Federal-Provincial economic stimulation program saw Ontario agree to reduce its Retail Sales Tax by 3% on most items for approximately six months, with the Federal Government financing two-thirds of the estimated cost of this initiative. The approximate cost to Ontario was \$144 million in reduced revenues.

Spending performance

Total spending for the year was \$14,413 million as Ontario continued to decrease the spending growth rate for the fourth successive year. For the third successive year, all unforeseen additional spending was fully financed from internal constraints and further savings identified during the year.

	Growth rate	
	Spending	Gross provincial product
	(%)	(%)
1974-75	24.7	18.6
1975-76	15.1	9.4
1976-77	10.1	13.2
1977-78	8.6	10.7
1978-79	6.4	9.8

G.P.P. figures are for calendar years.

This control on spending has been successfully applied to all areas with ministries planning their program delivery within pre-determined spending allocations.

Income performance

Ontario's total revenues of \$13,233 million showed a 12.3%

increase recovering to a more normal growth rate from the poor performance described in last year's Financial Report. Further detail of these trends is given in the Budgetary Revenue section of this Report.

Net cash requirements

Net cash requirements of \$1,180 million were at the lowest level since 1974-75. As a percentage of Gross Provincial Product, it is the lowest level in the past five years.

The Province again financed these requirements without entering the public debt markets; thus for the third consecutive year the Canadian public market has been left available to other borrowers.

The financing required has been met from the non-public sources of the Canada Pension Plan Investment Fund, Teachers' Superannuation Fund and the Ontario Municipal Employees Retirement System. Judicious use of an increased level of 91 day treasury bills to support the short-term liquid reserve levels completed Ontario's financing of its net cash requirements.

	1974-75	1975-76	1976-77	1977-78	1978-79
			(\$ millions)		
Net cash requirements	977	1,799	1,318	1,762	1,180
Gross provincial product	59,963	65,580	74,258	82,167	90,250
Percentage N.C.R./G.P.P.	1.63	2.74	1.78	2.14	1.30

Ontario Hydro

The Province traditionally borrows on behalf of Ontario Hydro for its capital program in the United States. The Province then lends that sum on identical terms to Ontario Hydro. The Province has therefore incurred a significant liability wholly on behalf of Ontario Hydro from whom it holds a corresponding offsetting asset.

These offsetting assets and liabilities and the attendant interest flows are reflected in this Report, the Public Accounts of the Province and in all prospectuses, unless otherwise stated.

The effect of these financings is to increase the Provincial cash outflows for both interest paid to investors and principal

loaned to Ontario Hydro. The interest received and proceeds of public borrowing are similarly increased. The other effect is to increase the Province's own net cash requirements by the principal loaned to Ontario Hydro, less any repayments.

The Provincial Budget, and its financial tables, are framed around the operations of the Province on its own account, and all Ontario Hydro offsetting revenue and expenditure flows are removed to display more clearly the Province's own account activity.

In addition, the Province guarantees virtually all debentures sold directly by Ontario Hydro. In those publications that list

Provincial liabilities these guarantees appear as Contingent Liabilities.

Pages 2 and 3 of this Report exclude all Ontario Hydro transactions; unless otherwise stated, the effect of Provincial borrowing activity on behalf of Ontario Hydro is included in all other subsequent figures where relevant.

The financial activity on behalf of Ontario Hydro within these financial statements can be summarized as follows:

Effect of Ontario Hydro on cash requirements

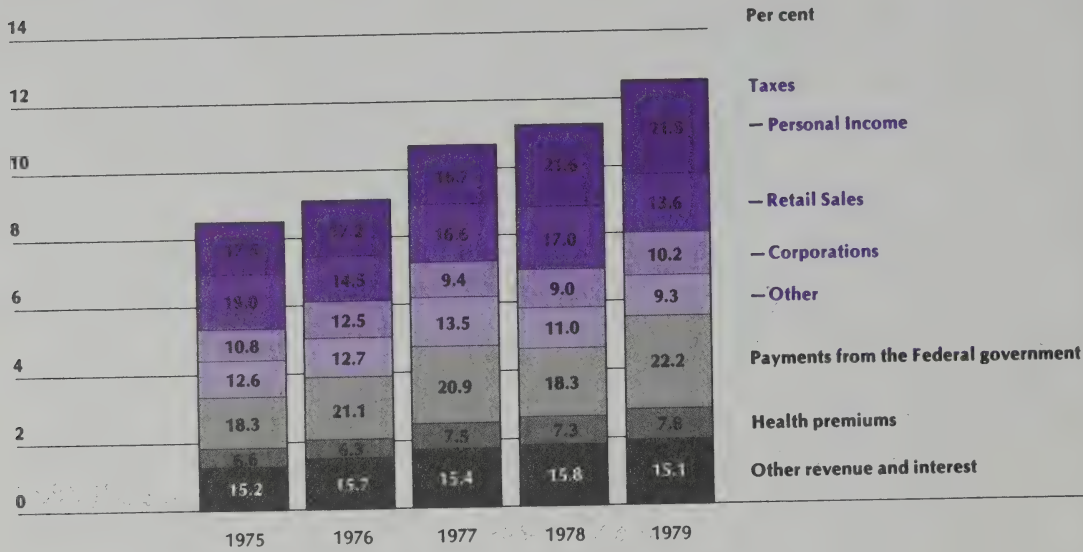
	<u>1976-77</u>	<u>1977-78</u>	<u>1978-79</u>
	(\$ millions)		
Revenues			
Provincial own account	11,148	11,782	13,233
Ontario Hydro interest	178	209	244
Ontario Hydro loan repayments	<u>30</u>	<u>58</u>	<u>83</u>
	<u>11,356</u>	<u>12,049</u>	<u>13,560</u>
Spending			
Provincial own account	12,466	13,544	14,413
Ontario Hydro interest	178	209	244
Ontario Hydro loans	<u>300</u>	<u>450</u>	<u>750</u>
	<u>12,944</u>	<u>14,203</u>	<u>15,408</u>
Cash requirements	1,588	2,154	1,848
Loans to Ontario Hydro (less repayments)	<u>270</u>	<u>392</u>	<u>667</u>
Net cash requirements	<u>1,318</u>	<u>1,762</u>	<u>1,180</u>

Figures may not add due to rounding.

Budgetary revenue

Major revenue sources

\$ billions



The Budgetary Revenue of the Province includes its own levies for taxation, premium and fee income, interest received, and payments from the Federal Government under fiscal arrangements and shared-cost programs. Taxation is the largest category, accounting for some 55% of the total Budgetary Revenue of \$12,566 million.

Taxation

Personal Income Tax collections increased by 11.8% to \$2,735 million, demonstrating the potential of its increased income sensitivity arising from the revised fiscal arrangements with the Federal Government in 1977. No change to the rate of 44% of basic federal tax payable has been made since the 1977 tax year.

Retail Sales Tax has declined somewhat as a contributor to Provincial revenue in percentage terms, due in part to the growth in Personal Income Tax in the past two years under the revised fiscal arrangements.

However, the current year's reduction to \$1,717 million was substantially due to the joint Federal-Provincial economic stimulation program which cut retail sales tax rates by 3% on almost all taxable items from April 11 to October 7, 1978 at an estimated cost of \$433 million in reduced revenues from this source. The Federal Government's agreed contribution to this stimulation program, amounting to \$289 million, is included under Payments from the Federal Government.

Corporations Taxes showed strong growth during the year. Collections of \$1,278 million for Income Tax, Capital Tax and Insurance Premiums Tax represented a 26% increase over the previous year. Although increased corporate profits were undoubtedly a factor, there were two fiscal decisions that materially affected growth.

Firstly, in the 1978 Budget, a change was introduced whereby income tax instalments were payable by all corporations monthly instead of bi-monthly, generating an estimated one-time gain of approximately \$70 million. In addition, the post-Budget actions increased the basic corporation income tax rate by one point bringing the basic rate to 13%, estimated to yield an additional \$72 million.

Other taxes declined to \$1,176 million, principally due to the termination of the federal revenue guarantee payments. The \$44 million received this year was mainly adjustments following the 1976 expiry of the agreement. Tobacco Tax showed the most significant gain, primarily because rates were increased approximately 15% in the 1978 Budget.

Payments from the Federal Government

Payments from the Federal Government increased from \$2,062 million to \$2,788 million. A substantial part of this growth however, consists of the federal contribution of \$289 million toward the joint economic stimulation program, and represents a one-time payment.

Established Programs Financing is the unconditional cash payment made to the Province arising from the 1977 Federal-Provincial Fiscal Arrangements and Established Programs Financing Act. This payment is not tied to provincial costs, but by formula to the Gross National Expenditure and provincial population. These escalators commence from an established base, and the increase is due in part to the formula escalation and to adjustments made to the base.

Canada Assistance Plan is now the most significant cost-shared program, and covers those parts of the welfare and health field not subject to the revised 1977 fiscal arrangements.

Health premiums

Ontario Health Insurance Plan (O.H.I.P.) provides for payment of most physicians and hospitalization costs and is available to all Ontario's residents. The Plan is financed some 29% by monthly premiums and the balance by general taxation. The increase in premium revenue to \$977 million was largely due to an increase from May 1, 1978 designed to maintain an approximate relationship of premiums to health costs.

During the year the Province enriched the level of premium assistance offered to those with a low income. Senior citizens, social assistance recipients, persons on veterans' pensions and others with temporary financial difficulties continued to receive free coverage with the result that almost 2 million individuals are entitled to premium assistance or free coverage.

It is estimated that the cost of this relief was \$340 million in the fiscal year.

Other revenue and interest

The three principal elements of this category are interest received on loans and investments of the Province, fees, and profits from Crown Agencies.

Interest receipts were marginally larger due mainly to restricted new lending activity, liquidation of some mortgages held by the Ontario Mortgage Corporation, and a lower level of in-year liquid reserves.

Fees showed a much stronger growth, totalling \$545 million for the year attributable mostly to an increase in the gallonage fee on beer introduced in the 1978 Budget.

The Liquor Control Board of Ontario profits increased over 8% to \$356 million. The Ontario Lottery Corporation, which operates the Wintario and Lottario games, contributed a reduced cash surplus of \$46 million, due partly to increased competition and partly to the need to finance the start-up of the new Lottario game introduced during the year.

Budgetary expenditure

The largest proportion of all government spending actions falls within the Budgetary classification, which remains at some 92% of total spending. This level reflects the policy to reduce lending activities which can be adequately served by private sector financial sources, and the replacement of loans by a system of grants to universities, colleges, and hospitals for construction purposes.

The majority of budgetary expenditures (71%) represents transfer payments to third parties, with the larger costs occurring in the Ministries of Health and Education. The remaining budgetary expenditures consist of interest paid on debt obligations, salaries and related costs of civil service employees, together with other expenditures on goods and services which encompass the day-to-day operating costs of the Provincial Government.

Social development policy field

Health

The operation of the Ontario Health Insurance Plan consisting of operating grants to hospitals, payments to physicians and payments for ambulance and extended health care services, absorbed some 24% of Budgetary Expenditure or \$3,335 million.

In addition, \$70 million was paid in capital grants for hospital construction during the year. With past expansion in both human and institutional resources, Ontario has established a first class health system. The emphasis is now on making more efficient use of existing resources and adapting to changing needs such as conversion of excess capacity pediatric and obstetrical hospital beds to beds for chronic care.

The table below indicates that the stabilization of key ratios at satisfactory levels has been achieved.

	Estimated population per registered physician	Estimated population per working nurse
1968	722	198
1970	665	176
1972	615	182
1974	583	166
1975	570	163
1976	570	151
1977	569	152

Another major objective in health care now is to encourage alternatives to in-patient active-treatment hospital care. This year the Ministry paid grants of \$52 million to adult community mental health facilities and community alcohol programs and for home care assistance.

Community and social services

Expenditure in the Ministry increased by 9.8% over the level of the previous year, impacted by the first full year of the Ministry's Children's Services Division.

This consolidated function includes mental health services, observation and detention homes, juvenile correctional services, child welfare and day nurseries.

Adult services offered by the Ministry include income maintenance, rehabilitation services for the handicapped, senior

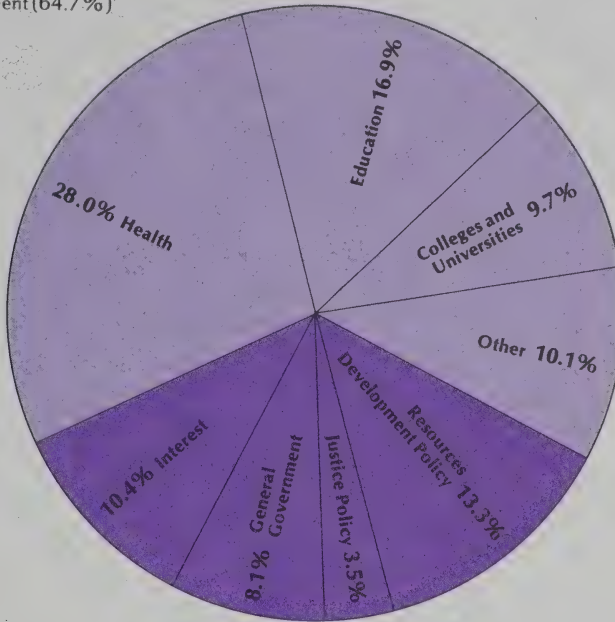
citizens' services, mental retardation facilities and community programs. As with children's services more responsibility and delivery has been transferred to the local or community level. One example of this is the gradual reduction of resident population in mental retardation facilities as alternative community accommodations and support services are developed.

Income support payments made directly to individuals under the Family Benefits Act and indirectly through assistance to municipalities under the General Welfare Assistance Act totalled \$586 million. However total income support by the Province to its lower income citizens goes beyond these direct payments. The Ministry of Health spent \$89 million on prescription drugs under the Ontario Drug Benefit Plan, while Guaranteed Annual Income Supplements of \$99 million and subsidization of housing of \$92 million make significant contributions. Tax credits, geared to income, of \$434 million were refunded to individuals under the Ontario Tax Credit System, many aspects of which are being adopted by other provinces; and \$340 million was granted to O.H.I.P. Premium Relief. The total direct Provincial support, therefore, to its low income citizens amounted to some \$1,600 million.

Policy fields

Social Development (64.7%)

Others (35.3%)



Education, colleges and universities

The Province responded to the need for expansion in the late 1950's and 1960's by developing a complete educational infrastructure from primary through post-graduate levels. Since 1971-72 there has been a steady decline in enrolment in elementary schools; the rate of growth in enrolment in secondary schools has now tapered off. At present, however, enrolment in universities and particularly colleges of applied arts and technology continues to increase.

Grants to school boards, including the contribution to the Teachers' Superannuation Commission were \$2,300 million and grants to colleges and universities were \$1,229 million.

It is planned that the two ministries be combined to better coordinate the provision of education of all levels.

Resources development policy field

More than half of the expenditures in this field were made by the Ministry of Transportation and Communications. During the year this Ministry spent \$217 million on highway improvement and construction under the provincial highway program. Some \$49 million was spent by the Ministry of Northern Affairs for highways in Northern Ontario. An additional \$135 million was spent on the summer and winter maintenance of the highway system, and \$364 million was contributed toward municipal road building and maintenance programs.

The Ministry provides financial assistance to municipalities in development of transit systems. Transit subsidy grants to municipalities, based on population, provide an incentive to create more efficient

transit systems while at the same time encouraging alternatives to the automobile as a mode of transportation thus conserving fuel and other resources. Grants of \$137 million were paid during the year. Total expenditure of the other ministries in this field was \$816 million and encompassed such programs as Agricultural Production \$117 million, Environmental Control \$91 million, Community Planning \$55 million and operation of the Ontario Housing Corporation \$92 million.

Justice policy field

Expenditures in this field were \$501 million of which almost one-quarter supported the operations of the Ontario Provincial Police force, the third largest deployed force in North America.

The major expenditures of the Ministry of the Attorney General were the General Administration of the Courts in Ontario at a cost of \$74 million, and the Legal Aid Fund, which made legal services available to those in financial need, at \$27 million.

Care, treatment and training of adult offenders cost \$105 million. While the Ministry of Correctional Services continued its program of modernizing jails and improving institutional programs in this area, continued emphasis was placed on promoting the wider use of community programs for offenders. Not only are these recognized as being in many cases more beneficial to both the individual and the community but their use helps eliminate overcrowding in existing institutions and reduces operating costs and the need for building more facilities.

The Ministry of Consumer and Commercial Relations has continued its commitment to review companies' legislation and regulation where the goal is more self-regulation by responsible bodies as in the travel and insurance industries. Ministry program costs were held basically to the previous year's level.

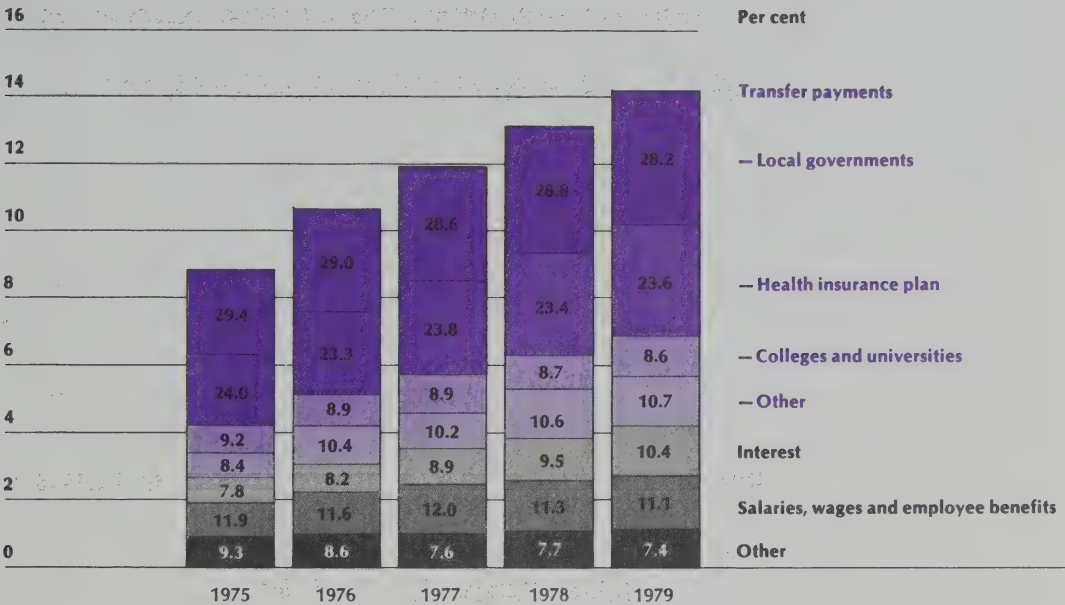
General government

Most of the expenditure in this field is by the Ministries of Intergovernmental Affairs, Government Services, Revenue and Northern Affairs. The \$108 million expenditure growth is in the main due to an increase in Intergovernmental Affairs payments to \$465 million in unconditional grants to municipalities.

During 1978 the Ministry of Intergovernmental Affairs again operated the highly successful Ontario Youth Employment Program, increasing the budget from \$10.5 million to \$20.0 million over a period of 25 weeks in the summer as compared to 16 weeks in the initial year. Altogether 34,000 summer jobs were created.

Major components of budgetary expenditure

\$ billions



The chart above showing total Budgetary Expenditure by major component highlights the predominance of transfer payments to third parties, which account for 71.1% of the expenditure.

The largest transfer payments are the Province's financial assistance to local governments and local government agencies, which alone account for 28.2% of Budgetary Expenditure. These transfer payments included \$2,300 million for education through General Legislative Grants and payments to the Teachers' Superan-

uation Commission; \$511 million in unconditional grants; \$897 million for other services including roads and social assistance and \$290 million in payments to local government agencies such as Children's Aid Societies.

Interest paid on the Public Debt amounted to \$1,474 million which included \$244 million in respect of the flow-through financing on behalf of Ontario Hydro.

Salaries, wages and employee benefits followed the trend evidenced over the past several years in comprising a lower per-

centage of Budgetary Expenditure. This year's increase in salaries, wages and employee benefits was only 5.9% over the previous year and was \$98 million below the forecast for the year. While there were still some bargaining unit settlements to be negotiated at year-end, these savings indicate the Government's commitment to manpower control while maintaining service to the public with salary and wage increases at a non-inflationary level.

Non-budgetary transactions

Lending activity

In addition to supporting its provincial and public sector agencies with grants, the Province also lends financial support through repayable loans and advances to local governments and various Crown corporations. The principal recipient of these disbursements is Ontario Hydro, to whom \$750 million was advanced.

Most of these advances have been used to invest in the development of facilities, mainly in energy, education, water treatment, housing and transportation fields. However the government has decided that the level of new investment should be reduced, and where possible, that the Province should withdraw from those areas that the private sector is best able to service. This will give the Province greater flexibility to finance areas of the economy that the private sector is unable to support adequately.

As a direct result of these policies, for the first time in recent years, repayments of principal exceeded disbursements of new loans, if the flow-through of borrowings made for Ontario Hydro is omitted. A major factor in this turnaround was the sale by Ontario Mortgage Corporation of approximately \$109 million of its mortgage portfolio, and the return of its investment to the Province.

Trust administration activity

Several organizations deposit money in trust with the Province. Although debt instruments are not issued, interest is usually paid by the Province at market related rates. Two-thirds of the funds on deposit, \$1,551 million, are administered for the Public Service Superannuation Fund, which is the basic pension plan for some 80,000 public employees of the Province. In 1978-79 the Province paid an average annual rate of 8.4% on the

Fund, and in addition, has made all necessary payments to amortize unfunded liabilities disclosed by actuarial valuation.

The Province of Ontario Savings Office has accepted deposits from the general public for over half a century and places its surplus funds with the Province. By March 31, 1979 these totalled \$406 million.

In the majority of cases, funds deposited in trust with the Province are repayable on demand to persons with a valid claim. The timing of these claims is not at the discretion of the Province, however in practice, the claims are quite predictable in aggregate, and the trust administration activity has become a reliable and increasing source of a net cash inflow over the years.

Lending activity

	1974-75	1975-76	1976-77 (\$ millions)	1977-78	1978-79
Disbursements	1,423	1,305	907	949	1,129
Receipts	401	249	265	321	503
Net new lending including Ontario Hydro	1,022	1,056	642	628	626
Less: net new lending for Ontario Hydro	328	529	270	392	667
Net new lending for provincial purposes	694	527	372	236	(41)

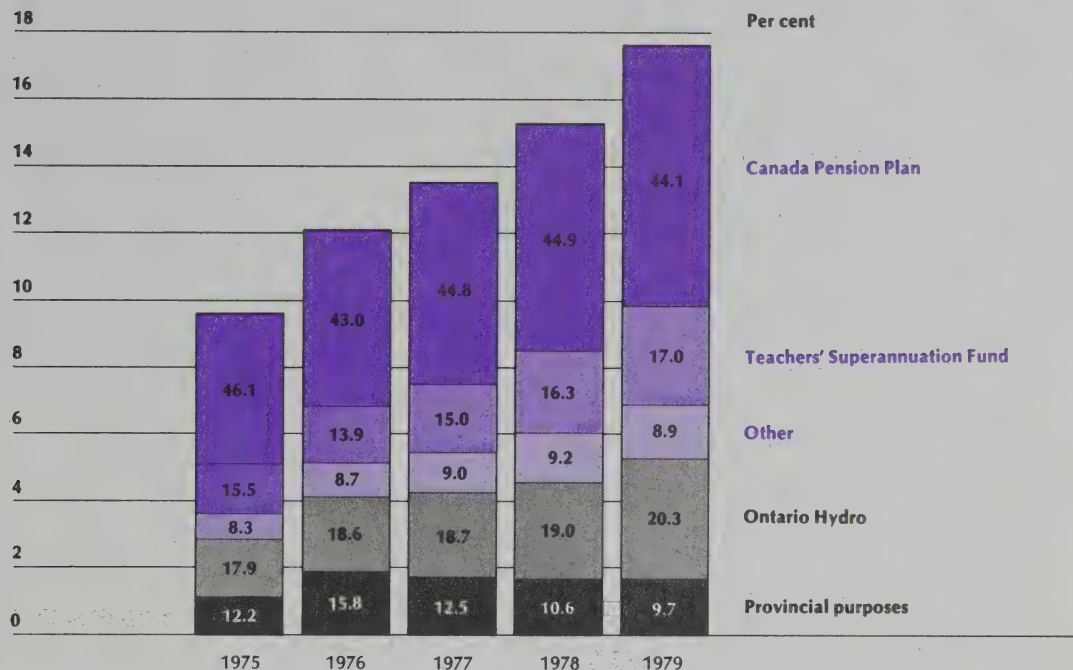
Funded debt

Major components at March 31

\$ billions



Non-public borrowing
Public borrowing



The funded debt of the Province is defined to include those obligations that have a specified term to maturity, are secured by a debt instrument and embraces bonds, debentures, notes and treasury bills. Unfunded debt is principally deposits made in trust to the Province, the major item being the Public Service Superannuation Fund.

Virtually all of the \$17,606 million of funded debt outstanding at March 31, 1979 was in the form of long-term debentures, the exception being \$325 million of 91 day treasury bills.

During the year, funded debt outstanding increased by \$2,340 million, of which \$667 million was due to Provincial borrowings on behalf of Ontario Hydro.

The majority of funded obligations issued by the Province

is held by public sector pension plans. Of this \$12,049 million total, the Canada Pension Plan Investment Fund now holds \$7,769 million which represents offerings to the Province of the net contributions of the Plan received from residents of Ontario. The rate of interest is based on the Government of Canada's borrowing rate which gives the Province access to significant financing currently having an overall average cost to the Province of only 8.1%.

The Teachers' Superannuation Commission collects all employees' contributions to the fund, the employer's contribution from the Province, and pays out pensions and refunds to the members. The Province sells debentures to the Commission as investments for its surplus funds which at March 31, 1979 totalled \$2,986 million.

The overall average annual rate payable to the Commission is 8.5%.

Other funded debt consists of debentures issued to the Ontario Municipal Employees' Retirement System, to C.M.H.C. for water treatment and waste control facilities, and to the Government of Canada for various small lending programs designed to assist employment or development.

When Ontario borrows in the United States on behalf of Ontario Hydro, it flows the proceeds to Ontario Hydro, taking back a bond as security. At March 31, 1979, \$3,568 million had been borrowed in the United States on behalf of Ontario Hydro.

The Province's last public market debenture issue for its own purposes was completed in 1976. All of its needs have been met by non-public sources since then except for temporary increases in 91 day treasury bill issues. The treasury bill program was increased by \$195 million to \$325 million starting April 1978.

Funded debt characteristics

Some selected statistics of the Province's funded debt at March 31, 1979 are shown in the table below.

The overall average term to maturity of the debt outstanding has remained at 17.0 years, the same level as the average term at March 31, 1978. Within this overall average, however, is an increase in the average term of debt held by the public sector from 18.3 years to 18.8 years and a decrease in the non-public sector from 16.5 years to 16.2 years over the same period.

The principal reasons for these effects are that the 91 day treasury bill issues were increased during the year and that issues to the Canada Pension Plan are for a 20-year term subject to earlier redemption by the Minister of Finance of Canada on six months prior notice. Most of the other borrowings are issued on 25 or 30 year terms.

In the next five years 5.9% of the funded debt will mature and a further 11.2% will mature in the five next following. The five year period for heaviest maturities will be to March 31, 1999, when 35.8% of the outstanding funded debt will mature. The largest annual maturities will occur during that same year when 9.8% of the debt is due.

While the absolute level of funded debt has increased, it has not risen markedly when compared to the increase in Gross Provincial Product over the last five years (see Selected Financial and Economic Statistics page 14). The Ontario economy has, therefore, maintained its relative ability to support the Province's debt. Over the past five years to date, the ratio of funded debt to Gross Provincial Product has ranged between .16 and .19.

Selected funded debt statistics as at March 31, 1979

	As a percentage of total	Average term to maturity	Average cost ¹ to the Province	Average rate of growth March 31, 1975 March 31, 1979
	(%)	(years)	(%)	(%)
Publicly held				
Provincial purposes	9.7	8.6	8.1	6.3
Ontario Hydro purposes	20.3	23.7	8.6	18.9
Total publicly held debt	30.0	18.8	8.4	13.9
Non-public				
Canada Pension Plan	44.1	14.6	8.1	15.2
Other	25.9	18.9	8.6	19.1
Total non-public debt	70.0	16.2	8.3	16.6
Total funded debt	100.0	17.0	8.3	15.7

¹Includes transactions costs.

Central financing policy

To complete the picture of funded debt issued by the public sector in Ontario, numerous agencies of the Province should be considered. In this context, agencies of the Province include universities, colleges, some hospitals, crown corporations and boards and commissions.

In recent years, only the Province, Ontario Hydro and a few large municipalities have issued funded debt to the public. Local governments nevertheless are restricted in their borrowing activities, as the Province, through the Ontario Municipal Board, imposes debt ceilings on municipalities. However, the Province provides considerable direct support to local governments in the form of grants, while making financing available to them based on its own borrowing costs. This policy is

designed to prevent undue competition by the public sector for funds, and to virtually eliminate the possibility of a local government becoming technically insolvent. In effect the Province uses its broader revenue and debt raising powers for the benefit of local governments.

School boards, universities, colleges and hospitals are also heavily supported by the Province by grants and loans, with the result that debt raised by these bodies in the market place to date is, in comparable terms, minimal.

Funded debt of the Ontario public sector (\$millions)

		Estimated at March 31, 1979			March 31, 1978
	Gross Debt	Intra-sector borrowing	Consolidated debt	%	Consolidated debt
Province of Ontario					
Direct	17,606		17,606	60.0	15,266
Guaranteed*	6,644		6,644	22.6	6,124
Provincial boards, commissions and corporations**	1,578		1,578	5.4	1,458
Local governments	5,115	1,734	3,381	11.5	3,211
Universities and colleges	1,343	1,249	94	0.3	87
Hospitals and associated operations	300	234	66	0.2	68
	<u>32,586</u>	<u>3,217</u>	<u>29,369</u>	<u>100.0</u>	<u>26,214</u>

* Excludes bank loans.

** Ontario Housing Corporation has issued \$1,254 million to a Government of Canada agency.

Selected financial and economic statistics

	(\$ millions)				
March 31	1975	1976	1977	1978	1979
Consolidated revenue fund inflows					
Budgetary Revenue	8,275	9,152	10,692	11,308	12,566
Non-Budgetary Receipts and Credits	724	556	664	741	994
Consolidated revenue fund outflows					
Budgetary Expenditure	8,821	10,632	11,921	13,129	14,157
Non-Budgetary Disbursements and Charges	1,483	1,404	1,023	1,074	1,251
Cash requirements	1,305	2,328	1,588	2,154	1,848
Net cash requirements¹	977	1,799	1,318	1,762	1,180
Liabilities					
Debtures, notes and treasury bills					
Provincial Purposes	7,844	9,818	10,894	12,365	14,038
On behalf of Ontario Hydro	1,710	2,240	2,510	2,901	3,568
Other	1,278	1,486	1,783	2,115	2,463
Total Liabilities	10,832	13,544	15,187	17,381	20,069
Contingent liabilities					
Funded Debt (debtures, bonds and notes)	3,795	5,030	5,708	6,124	6,644
Total Contingent Liabilities	3,933	5,147	5,806	6,211	6,734
Ontario public sector funded debt²	17,272	21,197	23,544	26,214	29,369
Gross provincial product at market prices³	59,963	65,580	74,258	82,167	90,250
Gross provincial product in constant (1971) prices³	45,392	44,826	46,267	47,855	49,398
Personal income (Ontario)³	47,060	53,887	61,353	67,739	74,285
Personal income (Ontario) per capita (June 1 population) (in dollars)	5,843	6,594	7,424	8,109	8,798
Cash requirements/GPP (%)	2.2	3.5	2.1	2.6	2.0
Debtures, notes and treasury bills/GPP (%)	15.9	18.4	18.1	18.6	19.5
Ontario public sector funded debt/GPP (%)	28.8	32.3	31.7	31.9	32.5

¹Net cash requirements excludes transactions relating to funds borrowed on behalf of Ontario Hydro.

²Ontario public sector funded debt is the funded debt of the Province and all provincial agencies, boards and commissions including local governments net of intra-sector borrowing.

³Gross provincial product and personal income are calculated on a calendar year basis. The amounts appearing in a fiscal year column are the preceding calendar year statistics.

Financial statements

Summary of significant accounting policies

The accounting entity

In the operation of its financial affairs the Province of Ontario employs the concept of a Consolidated Revenue Fund, unique to the parliamentary system of government. The financial transactions of government ministries are recorded and displayed as Consolidated Revenue Fund cash inflows and outflows. With respect to the financial operations of provincial crown corporations, agencies, boards and commissions, the financial statements of the Consolidated Revenue Fund reflect only the extent to which their operations have been financed from or have contributed to the Fund for the year.

The accounting basis

The Province of Ontario uses the cash basis of accounting for its financial transactions, modified to allow an additional thirty days to pay for goods and services pertaining to the fiscal year just ended. In this regard, payments to employees for the pay period which overlaps the fiscal year end date are apportioned between the two years. The cash basis of accounting, modified as described, is used to disclose to the public the stewardship of the Government in regard to monies entrusted by appropriation, and raised through taxes and borrowing. Revenues and expenditures being unrelated in nature are matched only by timing of cash flow.

Classification of transactions

The transactions of the Province of Ontario are presented in summary form according to the three distinct areas of government activity through the Consolidated Revenue Fund.

"Budgetary Transactions" are operational activities

which include the revenues raised through taxation, premiums, fees, licences and permits, payments from the federal government under shared-cost programs and income from investments. Expenditures on government programs include payments for goods and services, interest on the public debt, salaries, transfer payments to individuals, municipalities and institutions under various social programs, subsidies and grants, and the acquisition or creation of fixed assets. The extent to which revenue exceeds or falls short of expenditure directly decreases or increases the net debt of the Province.

"Non-Budgetary Transactions" are the lending, investment and trust administration functions which include, as distinct from expenditure, the government lending and investment activity in various crown corporations, agencies and municipalities. All of these loans and advances are repayable or represent equity holdings supported by the assets of the corporations. Also included in this category is the activity within deposit, trust and certain special purpose accounts. "Disbursements" is the term used to describe the lending and investment transactions of the government. "Receipts" consist of the repayment of loans or recovery of investments. "Credits" is the term used to describe payments into deposit, trust and special purpose accounts. Payments made from these same accounts are termed "Charges".

"Debt Transactions" are the borrowing and repayment transactions which include obligations issued to both non-public and public sources of funds.

Assets and liabilities

The assets and liabilities reported in the financial statements are financial claims which have been created by cash transactions. The assets are claims by the Consolidated Revenue Fund on other parties. The liabilities are claims by other parties on the Consolidated Revenue Fund.

Since expenditures on fixed assets do not represent financial claims on other parties and are not considered to differ from any other service to the public they are not reported as assets but are expensed as budgetary items in the year of acquisition.

Debentures, notes and treasury bills are recorded as liabilities at the face value of the debt instrument, and discount, premium and commission expenses are treated as current year budgetary transactions. The general resources of the Province are used for the continued orderly retirement of debt and no sinking funds are maintained for this purpose.

The contingent liabilities of the Province consist of guarantees by the Treasurer of Ontario of debt instruments issued by provincial agencies, boards and commissions and bank loans under certain government programs. Other significant legal commitments and liabilities are disclosed in notes to the financial statements.

The net debt of the Province is the excess of liabilities over recorded assets. It is also the accumulation of all budgetary deficits and surpluses since Confederation. The year-to-year change in net debt is the amount by which revenues exceed or are less than budgetary expenditures.

Statement of consolidated revenue fund

for the year ended March 31, 1979

	1979 (\$ millions)	1978 (\$ millions)
Opening balance		
Cash, temporary investments and marketable securities	548	804
Budgetary transactions		
Revenue	12,566	11,308
Expenditure	14,157	13,129
Budgetary deficit	(1,591)	(1,821)
Non-budgetary transactions		
Loans, advances and investments		
Receipts	503	321
Disbursements	1,129	949
Net increase in loans, advances and investments*	(626)	(628)
Trust administration functions		
Credits	491	420
Charges	122	125
Net increase in trust administration functions	369	295
Non-budgetary transactions (net)	(257)	(333)
Cash requirements*	(1,848)	(2,154)
Debt transactions		
Proceeds of loans	2,514	2,036
Retirements of loans	194	138
Debt transactions (net)*	2,320	1,898
Closing balance		
Cash, temporary investments and marketable securities	1,020	548

* Includes borrowing and lending on behalf of Ontario Hydro. See note 2.

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of budgetary revenue

for the year ended March 31, 1979

	1979 (\$ millions)	1978 (\$ millions)
Taxation		
Personal income tax	2,735	2,447
Retail sales tax (note 10)	1,717	1,926
Corporations tax	1,278	1,014
Gasoline tax	539	523
Tobacco tax	258	206
Motor vehicle fuel tax	94	85
Land transfer tax	67	62
Succession duty	63	73
Race tracks tax	46	43
Federal government income tax revenue guarantees	44	210
Other	65	41
	<u>6,906</u>	<u>6,630</u>
Other revenue		
Premiums — Ontario Health Insurance Plan	977	830
Profits from crown corporations and boards		
Liquor Control Board of Ontario	356	327
Ontario Lottery Corporation	46	71
Vehicle registration fees	301	267
Liquor Licence Board — fees	113	93
Other fees and licences	131	126
Fines and penalties	62	59
Royalties	57	49
Utility service charges	55	48
Other	102	98
	<u>2,200</u>	<u>1,968</u>
Government of Canada		
Established Programs Financing		
Cash Contribution	1,605	1,233
Extended Health Care Services	188	167
Hospital Insurance and Diagnostic Services Act	28	29
Canada Assistance Plan	410	416
Economic Stimulation (note 10)	289	
Adult Occupational Training Agreement	105	76
Other	163	141
	<u>2,788</u>	<u>2,062</u>
Interest on loans, advances and investments (note 2)	<u>672</u>	<u>648</u>
Total budgetary revenue	<u><u>12,566</u></u>	<u><u>11,308</u></u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of budgetary expenditure

for the year ended March 31, 1979

	1979 (\$ millions)	1978 (\$ millions)
Social development policy field:		
Health	3,958	3,631
Education	2,391	2,343
Colleges and Universities	1,371	1,257
Community and Social Services	1,226	1,137
Culture and Recreation	207	192
Social Development Policy	2	2
	<u>9,155</u>	<u>8,562</u>
Resources development policy field		
Transportation and Communications	1,068	1,035
Natural Resources	246	243
Agriculture and Food	174	170
Housing	167	172
Environment	122	114
Industry and Tourism	60	53
Labour	34	29
Energy	10	7
Resources Development Policy	3	3
	<u>1,884</u>	<u>1,826</u>
Justice policy field		
Solicitor General	168	153
Attorney General	140	129
Correctional Services	130	119
Consumer and Commercial Relations	63	63
	<u>501</u>	<u>464</u>
General government		
Intergovernmental Affairs	510	391
Government Services	253	271
Revenue	194	194
Northern Affairs	125	113
Office of The Assembly	22	30
Treasury and Economics	21	19
Other	18	17
	<u>1,143</u>	<u>1,035</u>
Public debt — interest (note 2)	<u>1,474</u>	<u>1,242</u>
Total budgetary expenditure	<u>14,157</u>	<u>13,129</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of non-budgetary transactions

for the year ended March 31, 1979

	1979	1978
	(\$ millions)	(\$ millions)
Loans, advances and investments		
Receipts		
Ontario Hydro — advances secured by bonds	83	58
Nuclear power generating station — Pickering (note 2)	20	22
Other corporations, boards and commissions		
Ontario Mortgage Corporation	144	21
The Ontario Education Capital Aid Corporation	67	62
The Ontario Universities Capital Aid Corporation	28	27
Ontario Housing Corporation	34	12
Other	33	47
Water treatment and waste control facilities	52	35
Loans to municipalities	22	18
Other loans and investments	20	19
	<u>503</u>	<u>321</u>
Disbursements		
Ontario Hydro	750	450
Other corporations, boards and commissions		
The Ontario Education Capital Aid Corporation	71	81
The Ontario Universities Capital Aid Corporation		34
Development Corporations	40	42
Ontario Housing Corporation	29	30
Ontario Mortgage Corporation	16	85
Other	36	17
Water treatment and waste control facilities	147	135
Loans to municipalities	39	44
Other loans and investments	1	31
	<u>1,129</u>	<u>949</u>
Net increase in loans, advances and investments	<u>626</u>	<u>628</u>
Trust administration functions		
Credits		
Pension funds	302	253
Deposit, trust and reserve accounts	128	161
The Province of Ontario Savings Office Deposits — net increase	61	6
	<u>491</u>	<u>420</u>
Charges		
Pension funds	71	58
Deposit, trust and reserve accounts	51	67
	<u>122</u>	<u>125</u>
Net increase in trust administration functions	<u>369</u>	<u>295</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of debt transactions

for the year ended March 31, 1979

	1979 (\$ millions)	1978 (\$ millions)
Proceeds of loans		
Non-public		
Canada Pension Plan Investment Fund	916	851
Teachers' Superannuation Fund	489	488
Ontario Municipal Employees Retirement Fund	100	190
Central Mortgage and Housing Corporation — waste control loans	64	57
	<u>1,569</u>	<u>1,586</u>
Public		
On behalf of Ontario Hydro	750	450
Treasury bills (net)	195	
	<u>945</u>	<u>450</u>
Total proceeds of loans	<u><u>2,514</u></u>	<u><u>2,036</u></u>
Retirements of loans		
Non-public		
Central Mortgage and Housing Corporation — waste control loans	14	6
Government of Canada, Municipal Development Loan Board	4	5
Government of Canada, Federal-Provincial Employment Incentive Programs	3	3
	<u>21</u>	<u>14</u>
Public		
On behalf of Ontario Hydro	83	58
For general purposes	90	66
	<u>173</u>	<u>124</u>
Total retirements of loans	<u><u>194</u></u>	<u><u>138</u></u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of assets and liabilities

as at March 31, 1979

	1979 (\$ millions)	1978 (\$ millions)
Assets		
Cash, temporary investments and marketable securities (note 1)	1,020	548
Advances to Ontario Hydro (note 2)	3,573	2,926
Advances and investments — other corporations, boards and commissions (note 3)	4,340	4,455
Investments in water treatment and waste control facilities (at cost less recoveries) (note 4)	975	880
Loans to municipalities	342	325
Other loans and investments (note 5)	250	269
Total recorded assets	10,500	9,403
Net debt	9,569	7,978
	<u>20,069</u>	<u>17,381</u>
Liabilities		
Deposits with The Province of Ontario Savings Office	406	345
Pension funds (note 6)	1,567	1,336
Deposit, trust and reserve accounts	399	322
Advances payable	91	112
Treasury bills	325	130
Debentures and notes (note 7)	17,281	15,136
	<u>20,069</u>	<u>17,381</u>
Contingent liabilities (note 8)	<u>6,734</u>	<u>6,212</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Approved on behalf of the Ministry of Treasury and Economics:
A. RENDALL DICK, Deputy Treasurer of Ontario and Deputy
Minister of Economics

G. McINTYRE, F.C.A., Executive Director, Treasury Division

Notes to the financial statements

(all figures in millions of dollars)

1. Cash, temporary investments and marketable securities

Temporary investments, which include obligations of Canadian chartered banks and other short-term investments, are recorded at cost. Marketable securities, which include debentures and bonds issued by the Province of Ontario and Ontario Hydro, are recorded at cost which was \$51 million at March 31, 1979 (1978 \$82 million). The market value of these securities was \$48 million at March 31, 1979 (1978 \$80 million).

2. Advances to Ontario Hydro

	1979	1978
Secured by bonds	\$3,568	\$2,901
Nuclear power generating station — Pickering	5	25
	<u>\$3,573</u>	<u>\$2,926</u>

The Province, in addition to guaranteeing Ontario Hydro debt obligations, has issued U.S. dollar debentures on behalf of Ontario Hydro. The proceeds have been advanced to Ontario Hydro in exchange for U.S. dollar bonds with the same terms and conditions as the debentures of the Province. These borrowing and lending transactions, which fall outside the Province's own budget framework, increased the Province's level of non-budgetary transactions, cash requirements and debt transactions by \$667 million (1978 \$392 million). In addition, the interest payments related to such borrowing and lending transactions increased the level of budgetary revenue and budgetary expenditure by \$244 million (1978 \$209 million).

The Province, by agreement with Ontario Hydro and Atomic Energy of Canada Limited, contributed \$100 million to the capital cost of the Pickering nuclear power generating plant and under the terms of a thirty year agreement receives payments based on the net operational advantages of the plant. These payments, which have amounted to \$95 million, have been applied entirely to reduce the advance.

3. Advances and investments — other corporations, boards and commissions

	1979	1978
The Ontario Education Capital Aid Corporation	\$1,278	\$1,274
The Ontario Universities Capital Aid Corporation	1,204	1,232
Ontario Mortgage Corporation	630	758
Ontario Housing Corporation	352	349
Ontario Land Corporation	345	332
Development Corporations	198	179
Ontario Energy Corporation	121	100
Other	212	231
	<u>\$4,340</u>	<u>\$4,455</u>

The Ontario Education Capital Aid Corporation receives advances from the Province to purchase bonds or debentures issued by school boards for capital expansion programs. The securities held by the Corporation are the obligations of the individual school boards. However, under current support arrangements for local school boards, approved debt charges are subject to Provincial grants averaging 75%.

The Ontario Universities Capital Aid Corporation has received no new advances since March 1978 when the Province changed its capital financial support program from loans to grants for new construction in the post-secondary education sector. Under the former program the Corporation received advances from the Province to purchase bonds or debentures issued by provincial universities, colleges, the Art Gallery of Ontario, the Royal Ontario Museum and municipalities on behalf of public libraries, for approved capital construction projects. The securities held by the Corporation are the obligations of the issuing institutions. However, these institutions received annual budgetary grants in 1979 of \$116 million (1978 \$113 million) from the Province to cover the full amount of principal and interest due to the Corporation.

The Ontario Mortgage Corporation has used advances from the Province to provide primary and secondary mortgage financing for eligible persons. The Province paid subsidies amounting to \$2.5 million in 1979 (\$1.8 million in 1978) to the Corporation for certain loans made at interest rates lower than cost. Following a change in government policy, the Corporation sold \$109 million of its mortgage portfolio during the fiscal year and has made no new commitments. Further sales from the portfolio are scheduled for 1979-80.

Ontario Housing Corporation plans, constructs and manages residential housing projects. Financing is provided by the Province and Central Mortgage and Housing Corporation (a federal crown corporation). Operating subsidies are shared by the Province, Central Mortgage and Housing Corporation, and municipalities. The Province's share of the subsidy for the calendar year 1978 was \$91 million (1977 \$80 million). At June 30,

1978, the Ontario Student Housing Corporation was dissolved and all assets and liabilities, including an \$8.5 million liability for advances from the Province, were assumed by the Ontario Housing Corporation. Subsequent to the year-end certain assets and liabilities were approved for transfer to the Ontario Land Corporation from the Ontario Housing Corporation retroactively effective from January 1, 1979. At March 31, 1979, the amount of the advances to be transferred from the Ontario Housing Corporation account to the Ontario Land Corporation account is approximately \$160 million.

The Ontario Land Corporation was established in 1974 to assemble land for new communities and industrial parks. In 1978 the Corporation's objects were broadened to include land development. In this connection, and as described above, certain assets of Ontario Housing Corporation including land leases, mortgages, agreements for sale and lands scheduled for residential, industrial and commercial development, were transferred along with related liabilities to the Ontario Land Corporation. In addition the Province discontinued its practice, effective October 1, 1978, of charging the Corporation interest on outstanding advances used to finance land holdings.

Ontario Development Corporation and the associated Eastern Ontario Development Corporation and Northern Ontario Development Corporation provide loans and arrange for provincial guarantees of bank loans to qualified enterprises. The Province has purchased an equity of \$7 million and has advanced all funding for the lending programs of the corporations. Through its budgetary expenditures, the Province also transfers to the corporations an amount to defray the costs of all administrative expenses, certain loan forgiveness, honouring guarantees, and writing off loans and losses due to the corporations' lending rates being lower than their borrowing rates. In 1979 these transfers amounted to \$20.8 million (1978 \$21.7 million).

Ontario Energy Corporation was established in 1975 with a \$100 million equity investment by the Province to develop energy sources for Ontario through investment in energy exploration, development and production. The Corporation's initial major involvement was a 5% equity position in Syncrude Canada Ltd. which was sold during 1978 for \$160 million. The Corporation has also been participating in the research aspects of the Polar Gas Project which is studying the movement of natural gas from the eastern high Arctic to southern markets. At March 31, 1979, the Corporation has invested \$12 million in the Polar Gas Project. Subsequent to March 31, 1979, the Province's investment in the Corporation was reduced to \$15 million equity through a repayment of advances and a repurchase of \$85 million of the share capital investment.

4. Investments in water treatment and waste control facilities

The Ministry of the Environment lets extensive contracts for the building of water and sewage systems to serve municipalities. These investments are being recovered over the life of agreements with the municipalities. Certain of the agreements provide for the accumulation of the principal portion of annual amortization payments in a sinking fund. The accumulated balance in such funds (included in deposit, trust and reserve accounts) was \$37 million at March 31, 1979 (1978 \$41 million). Other agreements are for projects which are subject to service rate billings. The amount received from service rate billings in 1979 was \$57 million (1978 \$48 million) of which \$10.2 million (1978 \$8.3 million) was applied to reduce the investment account.

5. Other loans and investments

Included in other loans and investments are Ministry of Health capital construction loans to public hospitals amounting to \$236 million (1978 \$256 million). During the 1979 fiscal year, the Province made grants of \$19.1 million (1978 \$17.9 million) to assist public hospitals in meeting principal and interest payments. No new loans have been made since March 1978 when the Ministry changed its public hospitals capital financial support program from loans to grants.

6. Pension funds

	1979	1978
Public Service Superannuation Fund	\$1,551	\$1,324
Legislative Assembly Retirement Allowances Account	16	12
	<u>\$1,567</u>	<u>\$1,336</u>

The Province of Ontario maintains accounts within the Consolidated Revenue Fund for all contributions and interest earnings less pension payments for both the Public Service Superannuation Fund and Legislative Assembly Retirement Allowances Account. The amounts recorded by the Province are essentially the sole assets of these pension plans.

Based on an actuarial report as at December 31, 1976, the Public Service Superannuation Fund had unfunded liabilities as follows:

1. An initial unfunded liability of \$83 million, upon which an interest contribution of \$6 million is required to be credited annually in accordance with The Pension Benefits Act.

2. Residual unfunded liabilities of \$422 million which are required to be amortized by annual payments of \$49 million until January 1, 1990 and \$32 million on January 1, 1991 and 1992.

As at March 31, 1979, the Province had made all scheduled payments.

An actuarial review of the Legislative Assembly Retirement Allowances Account as at March 31, 1978, reported an unfunded liability of \$3 million. In accordance with the policy of the government in regard to this account, the full amount of the unfunded liability was contributed during the year.

Teachers' Superannuation Fund

Through the budgetary expenditures of the Ministry of Education, the Province of Ontario makes annual contributions to the Teachers' Superannuation Fund (which is administered by the Teachers' Superannuation Commission) equal in amount to contributions by members. Further, the Province is committed to paying any deficiency in the Fund.

Based on an actuarial report as at December 31, 1975, the Teachers' Superannuation Fund had unfunded liabilities as follows:

1. An initial unfunded liability of \$328 million upon which an interest contribution of \$23 million is required to be credited annually in accordance with The Pension Benefits Act.
2. Residual unfunded liabilities of \$1,069 million which are required to be amortized by annual payments of \$121 million until December 31, 1980, \$116 million from December 31, 1981 to December 31, 1989 and \$94 million on December 31, 1990.

As at March 31, 1979, the Province had made all scheduled payments.

7. Debentures and notes

Years of Maturity, Mar.31	1979 Payable in			1978	
	Canadian Dollars	United States Dollars	Deutsche Marks	Total	Total
1979	\$	\$	\$	\$	\$
1980	67	29	4	100	100
1981	45		7	52	52
1982	62	39	7	108	108
1983	122	125	7	254	254
1984	111	85	7	203	
1-5 years	407	278	32	717	643
6-10 years	1,861	99	13	1,973	1,759
11-15 years	3,379	44		3,423	2,900
16-20 years	6,022	281		6,303	5,531
21-25 years	1,764	684		2,448	2,371
26-30 years	152	2,203		2,355	1,894
31-35 years	37			37	25
36-40 years	25			25	13
	<u>\$13,647</u>	<u>\$3,589</u>	<u>\$ 45</u>	<u>\$17,281</u>	<u>\$15,136</u>

The U.S. dollar debenture liability is recorded at par with the Canadian dollar and with the exception of \$21 million, has been incurred on behalf of Ontario Hydro. As explained in note 2, the Province holds U.S. dollar bonds of Ontario Hydro having the same terms and conditions as the debentures of the Province.

The Province has borrowings of 154 million Deutsche Marks recorded at \$45 million, the Canadian dollar equivalent at the time of issue. At March 31, 1979, the Canadian dollar equivalent was \$96 million.

8. Contingent liabilities

The Province is guarantor of certain debt obligations as follows:

	1979	1978
Debentures, bonds and notes		
Ontario Hydro	\$6,634	\$6,114
Other Provincial crown agencies	10	10
	<u>\$6,644</u>	<u>\$6,124</u>
Bank loans guaranteed		
Provincial crown agencies	\$ 9	\$ 9
Corporations and individuals through various government programs	81	79
	<u>\$ 90</u>	<u>\$ 88</u>
	<u>\$6,734</u>	<u>\$6,212</u>

9. Long-term leases

The Province has long-term lease commitments for accommodation amounting to \$164 million to 1984 and an additional \$117 million for years beyond 1984. The lease payments made in 1978-79 amounted to \$47 million.

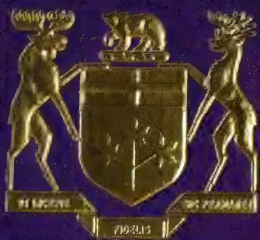
10. Economic stimulation

On April 10, 1978, the government announced a reduction in retail sales tax rates of three percentage points for a period of six months to stimulate consumption. It was estimated that retail sales tax revenues would be reduced by \$433 million. The Government of Canada has contributed two-thirds of the estimated cost of the tax reduction.

11. Change in accounting treatment and comparative figures

In the current year, the Province changed its practice of allocating the annual contributions in respect of the unfunded liabilities of the Public Service Superannuation Fund. Previously, such payments were included in their entirety in the amount reported for the Ministry of Government Services in the Statement of Budgetary Expenditure. Of the total unfunded liability payments into the Fund which amounted to \$55 million in the current year, approximately \$51 million was allocated to all ministries in the Statement of Budgetary Expenditure. The allocation of this \$51 million had no effect on the total of Budgetary Expenditure and the 1978 comparative amounts for the ministries were not restated. In a concurrent change in policy the Ministry of Government Services recovered the remaining \$4 million of the contributions from certain government agencies whose employees are members of the Public Service Superannuation Fund.

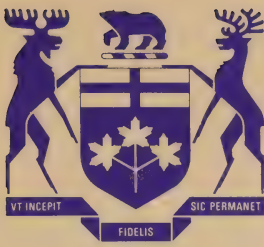
With the foregoing exception, 1978 comparative figures have been reclassified where necessary to conform with the 1979 financial statement presentation.



Province of Ontario

Financial Report 1980

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Province of Ontario

Financial Report 1980

Treasurer's statement



Hon. Frank S. Miller,
Treasurer of Ontario

I am pleased to present the 1980 Financial Report of the Province of Ontario.

The results of the year ended on March 31, 1980 are gratifying. Through a continued policy of disciplined restraint coupled with the revenues flowing from a fairly buoyant economy, Ontario continued to reduce both its budgetary deficit and its net cash requirements.

This Report provides some commentary on the major aspects of Ontario's finances and presents the financial statements of the Province for the fiscal year ended March 31, 1980. The Public Accounts submitted to the Legislature annually should be referred to for more detailed information. The policy aspects of Ontario's financial operations are discussed in the annual Ontario Government Budget.

Further clarification for the reader has been introduced this year by the introduction of my budget plan of April 1979 against which the year's results can be compared. In addition, all transactions in respect of the flow-through financing to Ontario Hydro have been isolated to show more clearly the Province's own performance in relation to plan.

Comments or questions will be welcome and should be directed to the Office of the Treasury of the Ministry of Treasury and Economics.

A handwritten signature in dark ink, reading "Frank S. Miller". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Toronto, September 1980

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The year in review

A stronger than anticipated economic performance in the second half of 1979 enabled Ontario to exceed its planned reduction in net cash requirements. The actual cash requirement for the year was \$584 million in comparison to the budget plan, which had anticipated a level of \$1,153 million.

During the year, increases to total income over original budget of \$841 million, stemmed substantially from upward revisions of Ontario's personal income and corporate tax yields. This increased income allowed the Province to cover certain extraordinary expenditure items. Firstly, in recognition of the effect of high interest rates on school boards and municipalities which normally require interim bank financing before provincial grants are received, the Province was able to offer some relief. This was accomplished by accelerating some \$82 million of grant payments to school boards and \$143 million to municipalities within the year. Secondly, in the Parkway Belt West, land acquisition had been financed by

Ontario Hydro for its transmission line system as well as additional land for other Parkway Belt needs. The Province compensated Ontario Hydro by \$59 million for those lands acquired by the Province. Thirdly, special assistance was made available in two areas of natural disaster. Blue mould damage to the tobacco crop required \$38 million in additional financing of losses insured by the Crop Insurance Commission while special assistance programs in aid of communities affected by the Woodstock tornado and spring flooding cost an additional \$9 million.

With the continuation of the policy of sound financial management and expenditure control, the Province was able to finance some \$267 million of other in-year program cost increases by identifying and constraining over \$290 million of savings in other programs.

Spending performance

Ontario has once again demonstrated the ability and determination to control the growth rate of government spending. This is consistent with the objective of reducing the claims of government on the economy so that increased resources are channelled into the private sector.

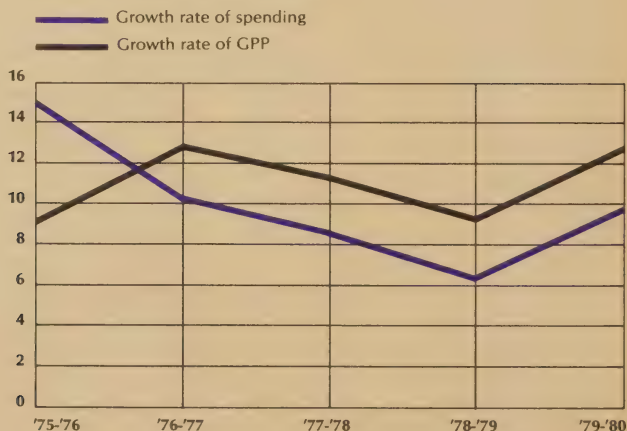
Responsible budgets and financial management dedicated to living within total allocations have ensured the continuation of the success in moving toward this objective.

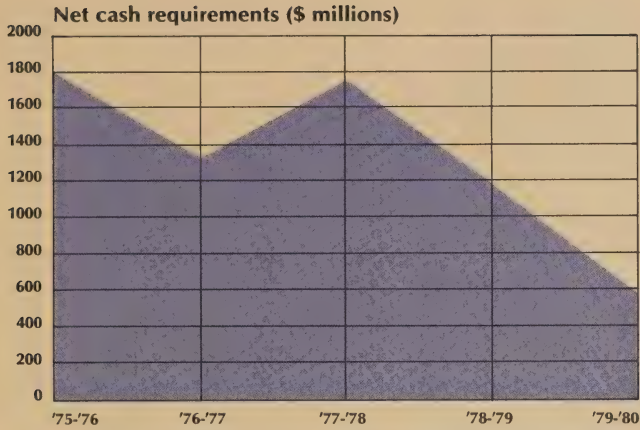
Since 1975, the Province has consistently maintained its expenditure growth rate at less than the growth rate of the economy. This has enabled an overall reduction of 1.5% in the Province's spending as a proportion of the Gross Provincial Product (GPP).

Spending compared to GPP (%)

1975-76	1976-77	1977-78	1978-79	1979-80
17.2	16.8	16.5	16.1	15.7

Growth in spending compared to gross provincial product (%)





Income performance

At \$15,246 million, Ontario's total income increased by an overall 15.2%, about 6% more than anticipated in the 1979 Budget. Improved economic performance in the latter half of 1979 accounted for about two-thirds of this 6% increase while the Federal forecast adjustments to Ontario's personal income tax yields accounted for about a quarter.

Further details of the revenue trends are given in the budgetary revenue section of this Report.

Net cash requirements

As a consequence of the ongoing restraint on spending levels, the management of the government program within a pre-determined total, and the revenue yield from a growing economy, the Province's net cash requirements were held to \$584 million, a nine year low.

These requirements were once again met entirely without entering the public debt markets. This marks the fourth consecutive year that the Province has complemented its move to lessen the government sector share of the economy with a freeing of the capital market to other borrowers.

Not only did the Province finance its requirements entirely from its traditional non-public sources of the Canada Pension Plan Investment Fund and the Teachers' Superannuation Fund, but it completed its withdrawal from borrowing from the Ontario Municipal Employees Retirement System. This latter pension fund has now added

to the resources available for investment in the private sector.

The reduced requirement for funds further enabled the Province to completely wind down its \$325 million Treasury Bill program, and to increase its liquid reserves.

Ontario Hydro

The Province traditionally borrows on behalf of Ontario Hydro for its capital program in the United States and then lends that sum on identical terms to Ontario Hydro. In the current year, \$300 million was borrowed and after retirements of \$86 million the debentures and notes outstanding for Ontario Hydro were \$3,782 million. The Province has therefore incurred a significant liability wholly on behalf of Ontario Hydro from whom it holds a corresponding offsetting asset. In addition, the Province guarantees virtually all debentures sold directly by Ontario Hydro. The Province's contingent liability in this regard was \$7,502 million at March 31, 1980.

Budgetary revenue

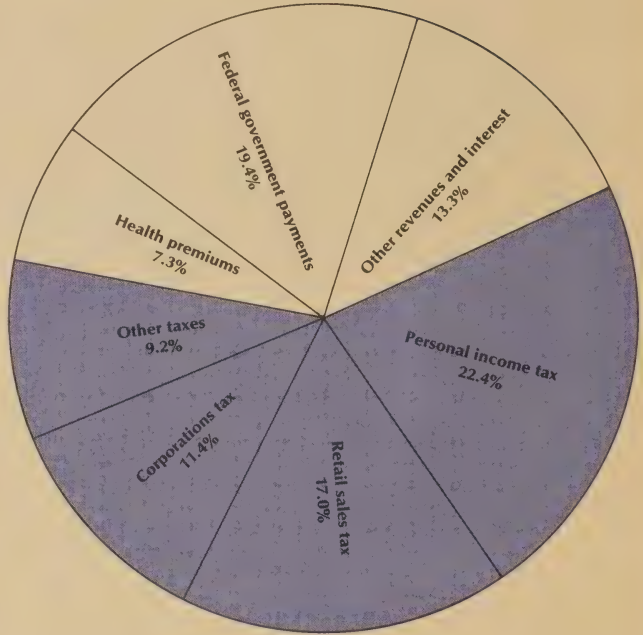
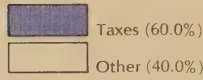
Taxation

Ontario's major tax revenue sources accounting for 50% of budgetary revenue are personal income tax, retail sales tax and corporations tax. Each of these taxes displayed a solid growth during the year as the economy experienced a stronger performance than had been expected.

The personal income tax rate is set at 44% of the basic federal tax. In common with most other provincial governments, Ontario has a tax collection agreement with the Government of Canada whereby instalment payments are collected monthly by the Federal Government who make payments to Ontario based on forecasts of collections established prior to the beginning of the fiscal year. During the fiscal year, upward revisions were made to this forecast amounting to \$213 million to take account of the greater yield flowing in 1979 and because of prior year adjustments in the 1978 tax yield. As a result, the growth rate of recorded personal income tax outdistanced both the previous year and the amount expected in the 1979 Budget.

Ontario's retail sales tax is a 7% levy on the purchase price of most items. Necessities such as food and children's clothing are exempt but some luxury goods are taxed at 10%. The Government has

Major revenue sources



also been able to very effectively stimulate selected sectors of the Provincial economy by offering retail sales tax exemptions or rebates. For example, in previous years exemptions have been given on the purchase of production machinery and equipment, and equipment purchased by the hospitality industry. In his latest Budget the Treasurer announced several new exemptions, some of which are directed to encouraging purchases of equipment which

will contribute to energy conservation in the Province. Over and above such selective measures, temporary tax reductions have been used to stimulate the economy as a whole. In 1978-79, the Province joined with the Federal Government in an economic stimulation program which gave a general reduction of 3% for a period of six months. With a healthier economy in 1979-80 the yield from this tax rebounded to \$2,414 million and exceeded its budget by \$119 million. It contributed 17% of the Province's budgetary revenue.

Ontario levies both an income and a capital tax on corporations. The tax is paid in monthly instalments with final estimated payments due three months after a corporation's fiscal year end. Some growth in the tax was expected as rates were increased in certain areas in the Budget. However, as the calendar year drew to a close and the corporate sector was generally reporting sizable growth in profits, it became evident that the Province would enjoy a substantial growth in its corporation taxes. The cash collections for the year were \$1,616 million which was a 26% increase over the previous year and \$281 million more than was forecast in the Budget.

Ontario's remaining taxes account for about 9% of budgetary revenue, and are in the main attributable to taxes on gasoline, motor vehicle fuel and tobacco.

Payments from the Government of Canada

The Government of Canada has assisted all provinces in financing major social programs. Until 1977 the dominant form of assistance was cost-sharing, but under the new fiscal arrangements agreed to in that year, cost-sharing was eliminated in favour of more provincial tax room in the personal income tax field, and cash payments to the provinces for established programs, which grow annually at rates tied to Gross National Expenditure and provincial populations. In 1979-80 these payments constituted three quarters of the \$2,757 million received from the Government of Canada.

The most significant shared-cost program remaining is the Canada Assistance Plan. This agreement which provided \$472 million in the year is basically a 50% share of social welfare costs, such as the Province's family benefit allowances and the Province's contribution to municipal welfare. Other shared-cost programs cover areas such as adult occupational training, bilingualism, and economic development.

Health premiums

The Ontario Health Insurance Plan (OHIP) provides for payment of most physicians and hospitalization costs and is available to all Ontario residents. The majority of contributors obtain coverage in groups through their place of employment but individuals may also subscribe. The premium rates at present are single \$20 per month and family \$40 per month. It must be noted however that a broad program of free coverage is in place for senior citizens, social assistance recipients, persons on veterans' pensions and others requiring financial assistance. Premium assistance is also available to others with a low level of income. Premium rates were increased by \$1 and \$2 per month single and family respectively during the year in order to maintain the approximate 30% relationship of premiums to total OHIP costs.

Other revenue and interest

The three principal elements of this category are fees and licences, profits from crown agencies, and interest on loans and investments.

Fees and licences totalled \$574 million in the year, consisting substantially of vehicle registration fees of \$310 million and gallage fees on beer of \$117 million.

Liquor and wine mark-ups were raised during the year and the Liquor Control Board of Ontario profit transfers responded with a 12% increase over the previous year to \$400 million. The Ontario Lottery Corporation contributed \$62 million in profits from the Wintario and Lottario games.

Interest receipts are primarily the return on short term investments and advances to crown corporations. These corporations paid \$292 million for the interest on their advances in the current year. Not included, is an amount of \$316 million received from Ontario Hydro and paid to debenture holders for flow-through borrowings made on behalf of the corporation. The return of \$142 million on the short term investments portfolio maintained by the Province showed a marked increase of \$80 million as both the rates and the level of liquid reserves were higher than anticipated.

Budgetary expenditure

The Government of Ontario administers its responsibilities through four main policy fields (social, resources, justice and general) which encompasses more than thirty ministries. The chart on page 7 and the following discussion is a review along these organizational lines of the main areas of financial activity. On page 9 a review is made of budgetary expenditure by major type of payment.

Social development policy field

HEALTH

The Ontario Health Insurance Plan (OHIP) is a comprehensive medical care scheme which is available to all residents and is the primary means by which the Province delivers health care services to its residents. As mentioned in the review of budgetary revenue, premium assistance or free coverage is available to some 2 million lower income individuals at an estimated cost of \$340 million.

The two most costly items in OHIP expenditure are the payments made for care provided by physicians and the financial support payments to hospitals. Payments for physician care grew by 10% to \$1,122 million which is substantially explained by rate schedule adjustments. It is estimated that OHIP subscribers received 120 million services or an average of about 14 per person.

Ontario's 221 public hospitals are generally administered by independent boards which draw members from the local community or on occasion from religious bodies. The Ministry of Health sets standards and provides virtually all of the operating financial support. Payments to hospitals increased by 5% to \$2,161 million which included a \$48 million in-year adjustment to recognize the severe pressure of inflation.

Other services included in OHIP are homecare, extended care health insurance (nursing home fees) and ambulance services. Such services amounted to \$306 million for a grand total OHIP cost in the year of \$3,589 million.

OHIP represents about 85% of the Health Ministry expenditure. The other major functions of the Ministry include the operation of psychiatric hospitals and the support of homes for special care, the support of health research, hospital capital construction, contributions to local health agencies, and the Ontario Drug Benefit Plan, which provides prescription drugs to pensioners free of charge.

EDUCATION

Ontario has carried out its responsibility for education by delegating responsibility to the local government level for the kindergarten to grade 13 sector, and by creating and/or supporting independent universities and colleges at the post-secondary level. As a result the Provincial expenditure on education is

almost wholly (97%) in the form of transfer payments.

Local school boards receive a substantial portion of their operating costs from the Province — on average 56% for the primary grades and 46% for secondary. The balance of their requirements is met by local property tax levies. The Province's support amounted to \$2,121 million in the year including \$82 million accelerated into March 1980 to relieve the unusually high costs of short term financing by the school boards. The growth in school board grants for the year even with the extra prepayment was only 8%.

In addition to the expenditure restraint efforts of the Province which has impacted on this sector as on all others, the phenomenon of declining student enrolments at the primary level has also had an impact on the Province's required support. This factor is expected to grow in importance as it moves through the grade levels and reaches the secondary level.

The Province gives other significant financial support to the primary and secondary education system in the form of direct payments of the employer's matching pension contributions and unfunded liability payments to the Teachers' Superannuation Fund. This amounted to \$274 million.

At the post-secondary level of education the Province has supported universities and colleges of applied arts and technology with about 80% and 83% of their respective operating costs. In the year past this amounted to \$782 million.

**COMMUNITY AND
SOCIAL SERVICES**

Ministry programs are divided between services to children and services to adults.

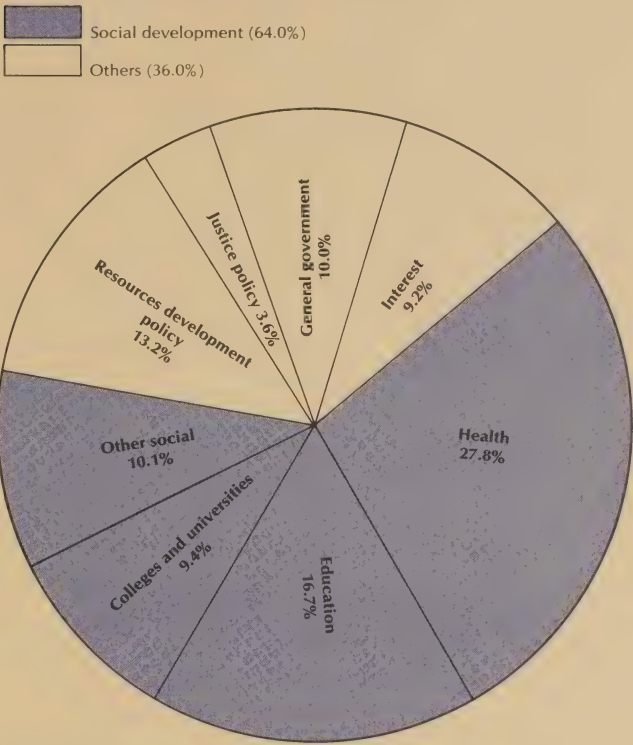
The Children's Services division includes mental health services, observation and detention homes, juvenile correctional services, child welfare through support of children's aid societies and day nurseries. Spending in the year was \$335 million — the largest single item being grants to children's aid societies at \$111 million.

The Adult's division offers services which include income maintenance, rehabilitation services for the handicapped, financial support to senior citizen's homes, mental retardation facilities and community programs.

Income maintenance payments in the form of direct monthly allowances to individuals who are without an income on a long term basis is the single most expensive program at \$405 million. A companion program is a transfer payment of \$193 million to municipalities for welfare payments to persons having financial need in the short term.

However total income support by the Province to its lower income citizens goes beyond these direct payments. The Ministry of Health spent \$107 million on prescription drugs under the Ontario Drug Benefit Plan while Guaranteed Annual Income Supplements of \$90 million and subsidization of housing of \$104 million make significant

Budgetary expenditures by policy field



contributions. Tax credits, geared to income, of \$458 million were refunded to individuals under the Ontario Tax Credit System and \$340 million was granted to OHIP Premium Relief. The total direct Provincial support therefore, to its low income citizens amounted to some \$1,700 million.

**Resources development
policy field**

Less than half of the budgetary expenditure of the resource policy ministries is in grants,

which contrasts with the more than 90% factor in the social policy field. Rather, a large proportion of the expenditure is incurred in direct operation and delivery of services.

The Ministry of Transportation and Communications dominates the financial scene in this policy field. Provincial highway construction and improvement drew an expenditure of \$286 million including

\$54 million in Northern Ontario, while maintenance of the highway system accounted for \$145 million. Municipalities were assisted with their road construction and maintenance programs with \$389 million in subsidy payments. The twin stimuli of urban crowding and energy conservation have heightened the involvement of the Ministry in alternatives to the automobile as a mode of transportation. The GO commuter train operation was subsidized by \$74 million in grants and municipal transit systems received more than \$124 million in support.

The other ministries in this field spent a total of \$893 million, encompassing such programs as agricultural production assistance \$106 million; environmental control and utility operations at \$102 million; natural resource management and production \$170 million; and subsidies for the operation of the Ontario Housing Corporation \$104 million.

Justice policy field

There are four operating ministries in this field. The Attorney General's major expenditure of \$84 million is the general administration of the courts while contributing \$30 million to the Legal Aid Fund, which makes legal services available to those in need.

The Solicitor General's most significant expense is the direc-

tion of the 4,000 member Ontario Provincial Police Force operated at a cost of \$135 million for the year.

The primary function of the Ministry of Correctional Services, at a cost of \$106 million, is the institutional care, treatment and training of adult offenders who have been sentenced by the courts to detention periods of less than two years. The average population of prisoners during the year was about 6,000 many of whom were able to participate in the highly successful community service programs.

The Ministry of Consumer and Commercial Relations protects residents in a wide variety of ways such as regulation of financial affairs, property registration, inspection of elevators and pressure vessels, and development of building codes.

General government

The general government group of ministries increased its proportion of total budgetary expenditure to 10% due to a number of individual events.

One major factor was an increase in unconditional grants to municipalities to a total of \$629 million, including the special prepayments of \$143 million. As has been mentioned in the case of similar acceleration to school boards, the action was taken to give some relief to local governments from the high cost of short term borrowing, which would

otherwise be necessary while awaiting transfers from the Province.

Another factor in this growth in expenditure was the initiation of an Employment Development Fund. Financial assistance is available on a selective basis to private sector projects which have attractive job creation and long term economic development components. In the year, \$128 million was spent, which together with commitments made in the year, is estimated to have stimulated the creation of 10,000 jobs in the manufacturing and tourism sectors over the next 5 years, and given long term job security to 20,000 persons in the pulp and paper industry. Furthermore the complementary private sector investment impact is estimated to be more than \$2,000 million.

Other major expenditures are the accommodation services provided by the Ministry of Government Services at a cost of \$267 million, including \$43 million capital construction and the guaranteed annual income system payments made by the Ministry of Revenue to low income individuals totalling \$90 million.

Major components of budgetary expenditure

Transfer payments which are made to third parties amounted to 71.8% of budgetary expenditure.

Both the health insurance plan and college and university grants have been previously discussed, but it is interesting to note the aggregation of a variety of transfer payment programs under the heading "local government".

Some of the large components such as school board grants, transportation, welfare and unconditional payments have been mentioned in the policy field discussion, but more than nine ministries had assistance programs to local governments. In the year just ended, conditional transfer payments amounted to \$3,054 million, unconditional grants to \$678 million and payments to local agencies such as

children's aid societies and homes for the aged were \$310 million.

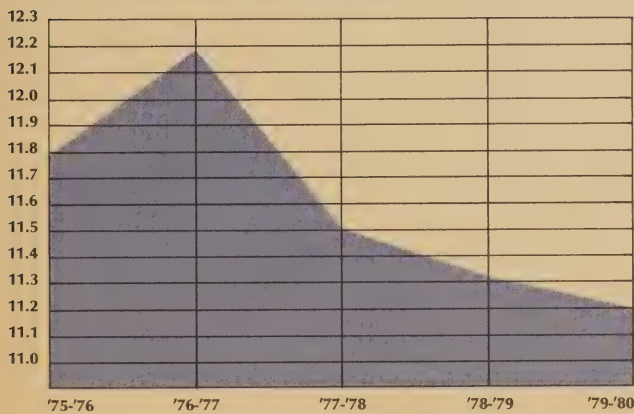
Because transfer payments are such a major part of budgetary expenditure, the Government, in order to mount an effective restraint program, was compelled to constrain all segments, including local governments which receive 26.3% of Provincial spending. For 1979-80 the municipalities were allowed a 5.4% increase in transfer payments which matched the rate allowed to the government's own ministries. In response to this call for restraint, the local governments have brought their annual spending increases to less than the inflation rate, and Ontario's residents have benefitted in that both the Provincial and municipal governments have kept tax increases to modest rates.

Major components of budgetary expenditure (%)

Transfer payments	
Local governments	26.3
Health insurance plan	23.4
Post-secondary education	8.4
Other	13.7
	<hr/> 71.8
Other	
Salaries, wages and employee benefits	11.2
Interest	9.2
Other	7.8
	<hr/> 28.2
Total budgetary expenditure	<hr/> <u>100.0</u>

The Ontario Government is justifiably proud of its record in not only holding the line on employment but actually reducing the civil service by 5% or over 4,000 positions in a period of five years. As the chart above demonstrates, this effort has paid dividends with a reduced claim on the overall budgetary expenditure for salaries, wages and employee benefits.

Salaries and benefits as a percentage of budgetary expenditure



Non-budgetary transactions

Ontario's profile of non-budgetary transactions has changed significantly in the last five years. Whereas they formerly increased, they now serve to reduce the annual net cash requirements.

Lending and investment

As the Province has cut back from former high levels of lending activity, the continued repayment of amounts previously loaned has turned Ontario's lending activity amount to a net repayment position.

In 1977, the Province announced the phasing out of certain lending programs, since previously identified needs had been met or were no longer a priority.

Loans for post-secondary education facilities had already been reduced from the high levels of the late sixties, when growth was so rapid. These loans were replaced by the adoption of a front-end capital grant program. In a similar fashion, loans to public hospitals have been replaced by grants, and steps have been taken to add school board loans to the list as of 1980-81.

In the field of housing, the Province has dropped out of direct mortgage financing, so that no new loans were given to the Ontario Mortgage Corporation in comparison to

a level of \$180 million only three years earlier. The Ontario Housing Corporation has also slowed its investment in new rental housing.

The largest remaining investment of \$139 million was made in water treatment and waste control facilities, but this lending activity is also slated to decline as the Province moves towards having municipalities develop their own facilities with capital grant assistance from the Province.

In addition to the normal repayment of loans, there have been extraordinary repayments in each of the last two years. In addition to vacating the mortgage financing field, the Province instructed Ontario Mortgage Corporation to begin divesting itself of parts of its mortgage portfolio. An amount of \$109 million was returned to the Province last year as a result of these mortgage sales, however very few sales were made this year as higher interest rates made this approach unattractive. The Ontario Energy Corporation repaid \$106 million in loans and investments to the Province after a profitable sale of Ontario's 5% interest in Syncrude — a tar sands project in Northern Alberta.

Trust administration

The financial activity in this classification is dominated by two pension funds and the Province of Ontario Savings Office deposits from the public.

The Public Service Superannuation Fund is the basic pension plan for some 79,000 public servants. Employee and employer matching contributions, interest at prevailing market rates and special amounts to amortize reported actuarial deficits, are recorded in this account. Pension benefits and refunds of contributions are recorded as payments from the account. Higher interest rates and unfunded liability payments have caused the net cash inflow to the account to grow more rapidly over the last two years, increasing by \$249 million this year.

The Superannuation Adjustment Fund is designed to provide a pension supplement to offset the effects of inflation on the pensions of retired employees, mainly public servants who contribute to the Public Service Superannuation Fund, and to retired teachers who contribute to the Teachers' Superannuation Fund. The net inflow of employee/employer contributions and interest over payments made amounted to \$96 million.

The Province of Ontario Savings Office accepts deposits from the public at competitive interest rates. These monies are deposited with the Province on a demand basis. A net inflow of \$154 million was recorded during the year, a dramatic increase from previous levels. At year end, the total deposits held for the Savings Office stood at \$560 million.

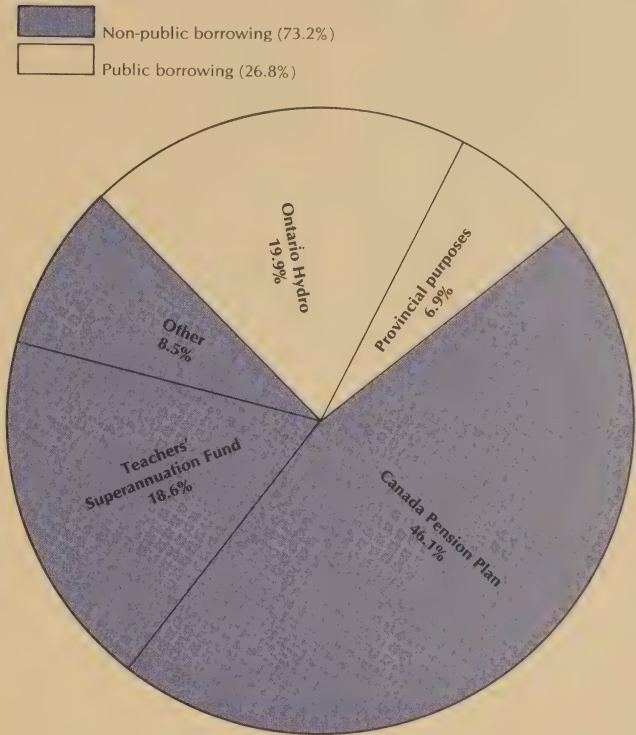
Funded debt

The funded debt of the Province is defined to include those obligations that have a specified term to maturity, are secured by a debt instrument and embraces bonds, debentures, notes and treasury bills. Virtually all of the total funded debt of \$18,978 million outstanding at March 31, 1980 was in the form of long-term debentures.

The majority of the funded debt issued by the Province is held by public sector pension plans. The Canada Pension Plan Investment Fund holds \$8,757 million, which represents offerings to the Province of the net contributions to the Plan received from Ontario residents. The rate of interest to the Province is based on the Government of Canada's borrowing rate, which allowed the Province to have access to debt financing at an average rate of 10.6% in 1979-80, somewhat lower than public capital market rates for the Province.

The Teachers' Superannuation Commission invests all of its surplus funds in Provincial debentures usually for a 25 year term at current market interest rates. At March 31, 1980 their investment had accumulated to \$3,523 million. The remaining non-public sources of funded debt outstanding are the Ontario Municipal Employees Retirement System, the Canada Mortgage and Housing

Major components of funded debt



Corporation, and the Government of Canada for various small lending programs designed to assist employment or development.

In the last four years, the public markets have been used only to raise funded debt for loans to Ontario Hydro and for the temporary Provincial

91 day Treasury Bill program. When Ontario borrows on behalf of Ontario Hydro, it flows the proceeds to Ontario Hydro, taking back a bond with the same terms and conditions as the debentures issued by the Province. At March 31, 1980, the outstanding funded

debt borrowed in the United States for Ontario Hydro was \$3,782 million. By contrast, publicly held funded debt outstanding borrowed for Provincial purposes, was only \$1,307 million.

Non-public borrowing and net cash requirements

Ontario's non-public sources of finance have been the mainstay in the Province's financing throughout the 1970's. However, in the last two years this source of finance has surpassed the Province's own net cash requirements.

The Government of Ontario has reacted to this situation

in a number of ways. Firstly, borrowing from the Ontario Municipal Employees Retirement System has been phased out. This pension plan is now investing its excess funds in the full range of private and public sector investments. Secondly, in the year just ended, surplus funds were used to retire the \$325 million Treasury Bill program and restore liquid reserves commensurate with the Province's overall financial operations. Finally, in the April 1980 Budget Statement the Treasurer announced that in 1980-81 a \$500 million portion of the Canada Pension Plan flows would be loaned to Ontario

Hydro. This action will favour the corporation with long term financing at competitive rates and at the same time leave more room for the Canadian private sector in the financial capital markets.

Funded debt characteristics

Some selected statistics of the Province's funded debt at March 31, 1980 are shown in the table below.

The overall average term to maturity of the debt outstanding is 16.8 years, a marginal decrease from the average term at March 31, 1979. In the next five years 4.2% of the funded debt will mature and a further 12.2% in the next following five years.

Selected funded debt statistics as at March 31, 1980

	As a percentage of total	Average term to maturity	Average cost* to Province	Average annual rate of growth March 31, 1976- March 31, 1980
	(%)	(years)	(%)	(%)
Publicly held				
Provincial purposes	6.9	9.0	7.5	-7.1
Ontario Hydro purposes	19.9	23.4	8.8	15.0
Total publicly held debt	26.8	19.7	8.4	6.6
Non-public				
Canada Pension Plan	46.2	14.2	8.4	13.9
Other	27.0	18.2	8.8	17.6
Total non-public debt	73.2	15.7	8.5	15.2
Total funded debt	100.0	16.8	8.5	12.5

*Includes transactions costs

While the absolute level of funded debt has increased, it has not risen markedly when compared to the increase in Gross Provincial Product over the last five years. (See Selected Financial and Economic Statistics page). The Ontario economy has therefore maintained its relative ability to support the Province's debt.

Central financing policy

Ontario has followed a policy of centrally financing the needs of the many public sector agencies which are under Provincial jurisdiction. As a result, the Province's own direct and contingent liabilities account for 84.3% of the total public sector debt burden on the Ontario economy.

The centralized financing policy combined with significant transfer payment programs has substantially reduced the use of the financial capital markets by municipalities, universities, colleges, hospitals, school boards and the Province's quasi-commercial agencies.

In recent years only Ontario Hydro and a few large municipalities have issued funded debt to the public. Ontario Hydro when borrowing publicly does so with the Province's guarantee which accounts for over 98% of the reported contingent liabilities. Local governments on the other hand,

borrow on their own credit but are restricted in their borrowing activities by debt ceilings imposed by the Ontario Municipal Board.

The Province therefore, by using its broader revenue base to borrow on behalf of its agencies, by strictly controlling the use of its guarantee, and by the surveillance of the Ontario Municipal Board is in strategic control of the debt raising activities in the Ontario public sector.

Funded debt of the Ontario public sector (\$ millions)

	Estimated at March 31, 1980			%	March 31, 1979
	Gross debt	Intra-sector borrowing	Consolidated debt		Consolidated debt
Province of Ontario					
Direct	18,978		18,978	60.4	17,606
Guaranteed*	7,512		7,512	23.9	6,644
Provincial boards, commissions and corporations**	1,575		1,575	5.0	1,582
Local governments	4,983	1,758	3,225	10.2	3,194
Universities and colleges	1,314	1,220	94	0.3	94
Hospitals and associated operations	273	219	54	0.2	61
	<u>34,635</u>	<u>3,197</u>	<u>31,438</u>	<u>100.0</u>	<u>29,181</u>

*Excludes bank loans
 **\$1,262 million has been issued to a Government of Canada agency

Selected financial and economic statistics

(\$ millions)

March 31	1976	1977	1978	1979	1980
Consolidated revenue fund inflows					
Budgetary revenue.	9,010	10,514	11,099	12,322	14,214
Non-budgetary receipts and credits.	510	634	683	911	1,032
Consolidated revenue fund outflows					
Budgetary expenditure.	10,490	11,743	12,920	13,913	15,346
Non-budgetary disbursements and charges.	829	724	624	500	484
Net cash requirements.	1,799	1,319	1,762	1,180	584
Provincial debt transactions (net).	1,974	1,092	1,506	1,652	1,133
Ontario Hydro debt transactions (net).	530	269	392	667	214
Liabilities					
Debentures, notes and treasury bills					
Provincial purposes.	9,818	10,894	12,365	14,038	15,196
On behalf of Ontario Hydro.	2,240	2,510	2,901	3,568	3,782
Other	1,486	1,783	2,115	2,463	2,946
Total liabilities	13,544	15,187	17,381	20,069	21,924
Contingent liabilities					
Funded debt (debentures, bonds and notes).	5,030	5,708	6,124	6,644	7,512
Total contingent liabilities.	5,147	5,806	6,211	6,734	7,593
Ontario public sector funded debt¹.	21,197	23,544	26,214	29,181	31,438
Gross provincial product at market prices².	65,723	74,133	82,052	89,736	101,250
Gross provincial product in constant (1971) prices².	44,923	46,189	47,788	49,117	50,399
Personal income (Ontario)².	53,902	60,969	67,220	73,770	81,205
Personal income (Ontario) per capita (June 1 population) (in dollars).	6,596	7,377	8,045	8,736	9,550
Net cash requirements/GPP (%).	2.7	1.8	2.1	1.3	0.6
Funded debt — provincial purposes/GPP (%).	14.9	14.7	15.1	15.6	15.0
Ontario public sector funded debt/GPP (%).	32.3	31.8	31.9	32.5	31.0

¹Ontario public sector funded debt is the funded debt of the Province and all provincial agencies, boards and commissions including local governments net of intra-sector borrowing.

²Gross provincial product and personal income are calculated on a calendar year basis. The amounts appearing in a fiscal year column are for the preceding calendar year.

Financial statements 1980

1980		1979		1978		1977		1976		1975		1974		1973		1972		1971		1970		1969		1968		1967		1966		1965		1964		1963		1962		1961		1960		1959		1958		1957		1956		1955		1954		1953		1952		1951		1950		1949		1948		1947		1946		1945		1944		1943		1942		1941		1940		1939		1938		1937		1936		1935		1934		1933		1932		1931		1930		1929		1928		1927		1926		1925		1924		1923		1922		1921		1920		1919		1918		1917		1916		1915		1914		1913		1912		1911		1910		1909		1908		1907		1906		1905		1904		1903		1902		1901		1900		1899		1898		1897		1896		1895		1894		1893		1892		1891		1890		1889		1888		1887		1886		1885		1884		1883		1882		1881		1880		1879		1878		1877		1876		1875		1874		1873		1872		1871		1870		1869		1868		1867		1866		1865		1864		1863		1862		1861		1860		1859		1858		1857		1856		1855		1854		1853		1852		1851		1850		1849		1848		1847		1846		1845		1844		1843		1842		1841		1840		1839		1838		1837		1836		1835		1834		1833		1832		1831		1830		1829		1828		1827		1826		1825		1824		1823		1822		1821		1820		1819		1818		1817		1816		1815		1814		1813		1812		1811		1810		1809		1808		1807		1806		1805		1804		1803		1802		1801		1800		1799		1798		1797		1796		1795		1794		1793		1792		1791		1790		1789		1788		1787		1786		1785		1784		1783		1782		1781		1780		1779		1778		1777		1776		1775		1774		1773		1772		1771		1770		1769		1768		1767		1766		1765		1764		1763		1762		1761		1760		1759		1758		1757		1756		1755		1754		1753		1752		1751		1750		1749		1748		1747		1746		1745		1744		1743		1742		1741		1740		1739		1738		1737		1736		1735		1734		1733		1732		1731		1730		1729		1728		1727		1726		1725		1724		1723		1722		1721		1720		1719		1718		1717		1716		1715		1714		1713		1712		1711		1710		1709		1708		1707		1706		1705		1704		1703		1702		1701		1700		1699		1698		1697		1696		1695		1694		1693		1692		1691		1690		1689		1688		1687		1686		1685		1684		1683		1682		1681		1680		1679		1678		1677		1676		1675		1674		1673		1672		1671		1670		1669		1668		1667		1666		1665		1664		1663		1662		1661		1660		1659		1658		1657		1656		1655		1654		1653		1652		1651		1650		1649		1648		1647		1646		1645		1644		1643		1642		1641		1640		1639		1638		1637		1636		1635		1634		1633		1632		1631		1630		1629		1628		1627		1626		1625		1624		1623		1622		1621		1620		1619		1618		1617		1616		1615		1614		1613		1612		1611		1610		1609		1608		1607		1606		1605		1604		1603		1602		1601		1600		1599		1598		1597		1596		1595		1594		1593		1592		1591		1590		1589		1588		1587		1586		1585		1584		1583		1582		1581		1580		1579		1578		1577		1576		1575		1574		1573		1572		1571		1570		1569		1568		1567		1566		1565		1564		1563		1562		1561		1560		1559		1558		1557		1556		1555		1554		1553		1552		1551		1550		1549		1548		1547		1546		1545		1544		1543		1542		1541		1540		1539		1538		1537		1536		1535		1534		1533		1532		1531		1530		1529		1528		1527		1526		1525	
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Summary of significant accounting policies

The accounting entity

In the operation of its financial affairs the Province employs the concept of a Consolidated Revenue Fund, unique to the parliamentary system of government. The financial transactions of government ministries are recorded and displayed as Consolidated Revenue Fund cash inflows and outflows. With respect to the financial operations of provincial crown corporations, agencies, boards and commissions, the financial statements of the Consolidated Revenue Fund reflect only the extent to which their operations have been financed from or have contributed to the Fund for the year.

The accounting basis

The Province uses the cash basis of accounting for its financial transactions, modified to allow an additional thirty days to pay for goods and services pertaining to the fiscal year just ended. In this regard, payments to employees for the pay period which overlaps the fiscal year end date are apportioned between the two years. Cash inflows, on the other hand, are closed at March 31 for cash received or in transit. The cash basis of accounting, modified as described, is used to disclose to the public the stewardship of the Government in regard to monies entrusted by appropriation, and raised through taxes and borrowing. Revenues and expenditures being unrelated in nature are matched only by timing of cash flow.

Classification of transactions

The transactions of the Province are presented in summary form according to the four distinct areas of government activity through the Consolidated Revenue Fund.

"Budgetary Transactions" are operational activities which include the revenues raised through taxation, premiums, fees, licences and permits, payments from the federal government under shared-cost programs and income from investments. Expenditures on government programs include payments for goods and services, interest on the public debt, salaries, transfer payments to individuals, municipalities and institutions under various social programs, subsidies and grants, and the acquisition or creation of fixed assets.

"Non-Budgetary Transactions" are the lending, investment and trust administration functions which include, as distinct from expenditure, the government lending and investment activity in various crown corporations, agencies and municipalities. All of these loans and advances are repayable or represent equity holdings supported by the assets of the corporations. Also included in this category is the activity within deposit, trust and certain special purpose accounts. "Disbursements" is the term used to describe the lending and investment transactions of the government. "Receipts" consist of the repayment of loans or recovery of investments. "Credits" is the term used to describe payments into deposit, trust and special purpose accounts. Payments made from these same accounts are termed "Charges".

"Debt Transactions" are the borrowing and repayment transactions which include obligations issued to both non-public and public sources of funds.

"Ontario Hydro Transactions" relate to amounts borrowed by the Province on behalf of Ontario Hydro. The Province issues debentures and advances the proceeds to Ontario Hydro in exchange for bonds with the same terms and conditions. Since these transactions and the ensuing retirement and debt servicing costs are the result of a financing

alternative and are not a part of the Province's own budget plan, they are classified separately.

Assets and liabilities

The assets and liabilities reported in the financial statements are financial claims which have been created by cash transactions. The assets are claims by the Consolidated Revenue Fund on other parties. The liabilities are claims by other parties on the Consolidated Revenue Fund.

Since expenditures on fixed assets do not represent financial claims on other parties and are not considered to differ from any other service to the public they are not reported as assets but are expensed as budgetary items in the year of acquisition.

Debentures, notes and treasury bills are recorded as liabilities at the face value of the debt instrument, and discount, premium and commission expenses are treated as current year budgetary transactions. The general resources of the Province are used for the continued orderly retirement of debt and no sinking funds are maintained for this purpose.

The contingent liabilities of the Province consist of guarantees by the Treasurer of Ontario of debt instruments issued by provincial agencies, boards and commissions and bank loans under certain government programs. Other significant legal commitments and liabilities are disclosed in notes to the financial statements.

The net debt of the Province is the excess of liabilities over recorded assets. It is also the accumulation of all budgetary deficits and surpluses since Confederation. The year-to-year change in net debt is the amount by which revenues exceed or are less than budgetary expenditures.

Statement of consolidated revenue fund

for the year ended March 31, 1980 (\$ millions)

	Budget 1980	Actual 1980	Actual 1979
Opening balance			
Cash, temporary investments and marketable securities.		1,020	548
Budgetary transactions			
Revenue.	13,446	14,214	12,322
Expenditure.	15,105	15,346	13,913
Budgetary deficit.	(1,659)	(1,132)	(1,591)
Non-budgetary transactions			
Loans, advances and investments			
Receipts.	444	391	420
Disbursements.	329	351	378
Net decrease in loans, advances and investments.	115	40	42
Trust administration functions			
Credits.	515	641	491
Charges.	124	133	122
Net increase in trust administration functions.	391	508	369
Non-budgetary transactions (net).	506	548	411
Net cash requirements.	(1,153)	(584)	(1,180)
Debt transactions			
Proceeds of loans.	1,580	1,567	1,763
Retirements of loans.	285	434	111
Debt transactions (net).	1,295	1,133	1,652
Ontario Hydro transactions			
Proceeds of debentures.		300	750
Retirements of debentures.		86	83
		214	667
Related advances, interest and recoveries		(214)	(667)
Ontario Hydro transactions (net)		—	—
Closing balance			
Cash, temporary investments and marketable securities.		1,569	1,020

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of budgetary revenue

for the year ended March 31, 1980 (\$ millions)

	Budget 1980	Actual 1980	Actual 1979
Taxation			
Personal income tax.	2,971	3,184	2,735
Retail sales tax (note 10).	2,295	2,414	1,717
Corporations tax.	1,335	1,616	1,278
Gasoline tax.	607	610	539
Tobacco tax.	292	274	258
Motor vehicle fuel tax.	122	128	94
Mining profits tax.	50	100	42
Land transfer tax.	92	95	67
Succession duty.	35	47	63
Race tracks tax.	49	51	46
Federal government income tax revenue guarantees.	5	—	44
Other.	9	3	23
	<u>7,862</u>	<u>8,522</u>	<u>6,906</u>
Other revenue			
Premiums — Ontario Health Insurance Plan.	1,035	1,037	977
Profits from crown corporations and boards			
Liquor Control Board of Ontario.	412	400	356
Ontario Lottery Corporation.	53	62	46
Ontario Energy Corporation (note 3).	37	35	—
Vehicle registration fees.	310	310	301
Liquor Licence Board — fees.	119	123	113
Other fees and licences.	145	141	131
Fines and penalties.	69	68	62
Royalties.	58	70	57
Utility service charges.	48	56	55
Other.	108	143	102
	<u>2,394</u>	<u>2,445</u>	<u>2,200</u>
Government of Canada			
Established Programs Financing			
Cash Contribution.	1,834	1,817	1,605
Extended Health Care Services.	210	208	188
Canada Assistance Plan.	455	472	410
Economic Stimulation (note 10).	—	2	289
Adult Occupational Training Agreement.	100	93	105
Other.	171	165	191
	<u>2,770</u>	<u>2,757</u>	<u>2,788</u>
Interest on loans, advances and investments.	<u>420</u>	<u>490</u>	<u>428</u>
Total budgetary revenue.	<u>13,446</u>	<u>14,214</u>	<u>12,322</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of budgetary expenditure

for the year ended March 31, 1980 (\$ millions)

	Budget 1980	Actual 1980	Actual 1979
Social development policy field			
Health.	4,183	4,269	3,955
Education (note 12).	2,515	2,563	2,391
Colleges and Universities.	1,430	1,446	1,371
Community and Social Services.	1,318	1,342	1,228
Culture and Recreation.	189	202	207
Social Development Policy.	2	2	2
	<u>9,637</u>	<u>9,824</u>	<u>9,154</u>
Resources development policy field			
Transportation and Communications.	1,134	1,139	1,069
Natural Resources.	261	280	246
Housing.	227	196	167
Agriculture and Food.	178	159	174
Environment.	130	135	122
Industry and Tourism.	65	68	60
Labour.	40	41	34
Energy.	15	11	10
Resources Development Policy.	4	3	3
	<u>2,054</u>	<u>2,032</u>	<u>1,885</u>
Justice policy field			
Solicitor General.	175	186	168
Attorney General.	149	157	140
Correctional Services.	131	137	130
Consumer and Commercial Relations.	64	68	63
	<u>519</u>	<u>548</u>	<u>501</u>
General government			
Intergovernmental Affairs (note 12).	547	685	510
Government Services.	272	329	253
Revenue.	195	194	194
Treasury and Economics.	223	150	21
Northern Affairs.	141	137	125
Office of The Assembly.	19	20	22
Other.	22	19	18
	<u>1,419</u>	<u>1,534</u>	<u>1,143</u>
Public debt — interest.	1,388	1,408	1,230
Contingency fund (note 11).	88	—	—
Total budgetary expenditure.	<u>15,105</u>	<u>15,346</u>	<u>13,913</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of non-budgetary transactions

for the year ended March 31, 1980 (\$ millions)

	Budget 1980	Actual 1980	Actual 1979
Loans, advances and investments			
RECEIPTS			
Corporations, boards and commissions			
Ontario Energy Corporation.	105	106	—
Ontario Mortgage Corporation.	100	45	144
The Ontario Education Capital Aid Corporation	72	73	67
The Ontario Universities Capital Aid Corporation	30	30	28
Development Corporations.	18	22	20
Ontario Housing Corporation.	13	5	4
Other.	8	10	43
Water treatment and waste control facilities.	35	53	52
Loans to municipalities.	13	22	22
Nuclear power generating station—Pickering (note 2)	25	5	20
Other loans and investments.	25	20	20
	<u>444</u>	<u>391</u>	<u>420</u>
DISBURSEMENTS			
Corporations, boards and commissions			
The Ontario Education Capital Aid Corporation..	69	69	71
Development Corporations.	37	39	40
The Crop Insurance Commission of Ontario.	—	38	—
Ontario Land Corporation.	19	19	15
Ontario Housing Corporation.	10	4	29
Ontario Mortgage Corporation.	4	—	15
Other.	8	2	21
Water treatment and waste control facilities.	153	139	147
Loans to municipalities.	27	40	39
Other loans and investments.	2	1	1
	<u>329</u>	<u>351</u>	<u>378</u>
Net decrease in loans, advances and investments.	<u>115</u>	<u>40</u>	<u>42</u>
Trust administration functions			
CREDITS			
Pension funds.	330	333	302
Deposit, trust and reserve accounts.	157	154	128
The Province of Ontario Savings Office			
Deposits — net increase.	28	154	61
	<u>515</u>	<u>641</u>	<u>491</u>
CHARGES			
Pension funds.	80	84	71
Deposit, trust and reserve accounts.	44	49	51
	<u>124</u>	<u>133</u>	<u>122</u>
Net increase in trust administration functions.	<u>391</u>	<u>508</u>	<u>369</u>
Total non-budgetary transactions.	<u>506</u>	<u>548</u>	<u>411</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of debt transactions

for the year ended March 31, 1980 (\$ millions)

	Budget 1980	Actual 1980	Actual 1979
Proceeds of loans			
NON-PUBLIC			
Canada Pension Plan Investment Fund.	960	988	916
Teachers' Superannuation Fund.	550	537	489
Ontario Municipal Employees Retirement Fund	—	—	100
Canada Mortgage and Housing Corporation — waste control loans.	70	42	63
	<u>1,580</u>	<u>1,567</u>	<u>1,568</u>
PUBLIC			
Treasury bills (net).	—	—	195
Total proceeds of loans.	<u>1,580</u>	<u>1,567</u>	<u>1,763</u>
Retirements of loans			
NON-PUBLIC			
Canada Mortgage and Housing Corporation — waste control loans.	19	16	14
Government of Canada, Municipal Development Loan Board.	4	4	4
Government of Canada, Federal-Provincial Employment Incentive Programs.	3	3	3
	<u>26</u>	<u>23</u>	<u>21</u>
PUBLIC			
For general purposes.	64	86	90
Treasury bills (net).	195	325	—
	<u>259</u>	<u>411</u>	<u>90</u>
Total retirements of loans.	<u>285</u>	<u>434</u>	<u>111</u>
Debt transactions (net).	<u>1,295</u>	<u>1,133</u>	<u>1,652</u>

Statement of Ontario Hydro transactions

for the year ended March 31, 1980 (\$ millions)

	1980	1979
Proceeds of debentures (public).	300	750
Retirements of debentures (public).	86	83
Net increase in debentures for Ontario Hydro purposes.	<u>214</u>	<u>667</u>
Related advances, interest and recoveries		
Loans to Ontario Hydro.	300	750
Interest on debentures.	316	244
Recovery of interest and debenture retirements.	(402)	(327)
Related advances, interest and recoveries (net).	<u>214</u>	<u>667</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of assets and liabilities

as at March 31, 1980 (\$ millions)

Assets

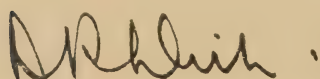
	1980	1979
Cash, temporary investments and marketable securities (note 1)	1,569	1,020
Advances to Ontario Hydro (note 2).	3,782	3,573
Advances and investments — other corporations, boards and commissions (note 3).	4,220	4,340
Investments in water treatment and waste control facilities (at cost less recoveries) (note 4).	1,062	975
Loans to municipalities.	360	342
Other loans and investments (note 5).	230	250
Total recorded assets.	11,223	10,500
Net debt.	10,701	9,569
	<u>21,924</u>	<u>20,069</u>

Liabilities

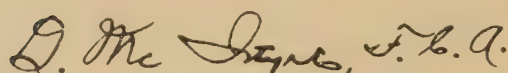
Deposits with The Province of Ontario Savings Office.	560	406
Pension funds (note 6).	1,816	1,567
Deposit, trust and reserve accounts.	504	399
Advances payable.	66	91
Treasury bills.	—	325
Debentures and notes (note 7).	18,978	17,281
	<u>21,924</u>	<u>20,069</u>
Contingent liabilities (note 8).	7,593	6,734

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Approved on behalf of the Ministry of Treasury and Economics:



Deputy Treasurer of Ontario and Deputy Minister of Economics



Assistant Deputy Minister, Office of the Treasury

Notes to the financial statements

(all figures in millions of dollars)

1. Cash, temporary investments and marketable securities

Temporary investments, which include obligations of Canadian chartered banks and other short-term investments, are recorded at cost. Marketable securities, which include debentures and bonds issued by the Province and Ontario Hydro, are recorded at cost which was \$57 million at March 31, 1980 (1979 \$51 million). The market value of these securities was \$45 million at March 31, 1980 (1979 \$48 million).

2. Advances to Ontario Hydro

	1980	1979
Secured by bonds.	\$3,782	\$3,568
Nuclear power generating station—Pickering.		5
	<u>\$3,782</u>	<u>\$3,573</u>

The Province, in addition to guaranteeing Ontario Hydro debt obligations, has issued U.S. dollar debentures on behalf of Ontario Hydro. The proceeds have been advanced to Ontario Hydro in exchange for U.S. dollar bonds with the same terms and conditions as the debentures of the Province. The Province, by agreement with Ontario Hydro and Atomic Energy of Canada Limited, contributed \$100 million to the capital cost of the Pickering nuclear power generating plant and under the terms of a thirty year agreement receives payments based on the net operational advantages of the plant. These payments have amounted to \$120 million, of which \$100 million has been applied to retire the advance and \$20 million is included in other budgetary revenue.

3. Advances and investments — other corporations, boards and commissions

	1980	1979
The Ontario Education Capital Aid Corporation.	\$1,274	\$1,278
The Ontario Universities Capital Aid Corporation.	1,174	1,204
Ontario Mortgage Corporation.	585	630
Ontario Land Corporation.	506	492
Ontario Housing Corporation.	204	205
Development Corporations.	215	198
Ontario Energy Corporation.	16	121
Other.	246	212
	<u>\$4,220</u>	<u>\$4,340</u>

The Ontario Education Capital Aid Corporation has received advances from the Province to purchase bonds or debentures issued by school boards for capital expansion programs. The securities held by the Corporation are the obligations of the individual school boards. However, under current support arrangements for local school boards, approved debt charges are subject to Provincial grants averaging 75%. Effective April 1, 1980 the loan program has been replaced by grants to school boards from the Ministry of Education. The Corporation will continue to administer the amortization of the outstanding loans.

The Ontario Universities Capital Aid Corporation, under a program which was discontinued in 1978, received advances from the Province to purchase bonds or debentures issued by provincial universities, colleges, the Art Gallery of Ontario, the Royal Ontario Museum and municipalities on behalf of public libraries, for approved capital construction projects. The securities held by the Corporation are the obligations of the issuing institutions. However, these institutions received budgetary grants in 1980 of \$115 million (1979 \$116 million) from the Province to cover the full amount of principal and interest due to the Corporation.

The Ontario Mortgage Corporation has used advances from the Province to provide primary and secondary mortgage financing for eligible persons. The Province paid subsidies amounting to \$2.3 million in 1980 (\$2.5 million in 1979) to the Corporation for certain loans made at interest rates lower than cost. No new loan commitments were made in the current year and the Corporation sold \$9.6 million (1979 \$109 million) of its mortgage portfolio.

The Ontario Land Corporation was established in 1974 to assemble land for new communities and industrial parks. In 1978 the Corporation's objects were broadened to include land development. In this connection, certain assets of the Ontario Housing Corporation including land leases, mortgages, mortgage guarantees, agreements for sale and lands scheduled for residential, industrial and commercial development, were transferred along with related liabilities to the Ontario Land Corporation with effect from January 1, 1979. At March 31, 1979 the Corporation's liability to the Province was increased by \$147 million. The Province charges no interest on advances being used to finance land holdings. At March 31, 1980 these advances were \$400 million (1979 \$397 million).

Ontario Housing Corporation plans, constructs and manages residential housing projects. Financing is provided by the Province and Canada Mortgage and Housing Corporation, and municipalities. The Province's share of the subsidy for the calendar year 1979 was \$102 million (1978 \$91 million). As described above, certain assets and liabilities were transferred to the Ontario Land Corporation with effect from January 1, 1979. At March 31, 1979 the Corporation's liability to the Province was reduced by \$147 million.

Ontario Development Corporation and the associated Eastern Ontario Development Corporation and Northern Ontario Development Corporation provide loans and arrange for provincial guarantees of bank loans to qualified enterprises. The Province has purchased an equity of \$7 million and has advanced all funding for the lending programs of the Corporations. Through its budgetary expenditures, the Province also transfers to the Corporations an amount to defray the costs of all administrative expenses, loans made at low interest rates, certain loan forgiveness, honouring guarantees, and writing off loans and losses. In 1980 these transfers amounted to \$24.4 million (1979 \$20.8 million).

Ontario Energy Corporation was established in 1975 with a \$100 million equity investment by the Province to develop energy sources for Ontario through investment in energy exploration, development and production. The Corporation sold its equity interest in Syncrude Canada Ltd. in 1978. As a result, in the current year, the Province received a payment of \$142 million of which \$35 million was a dividend. The balance was used to reduce the advances and to repurchase some of the Corporation's share capital from the Province. At March 31, 1980 the Province's equity investment was \$15 million.

4. Investments in water treatment and waste control facilities

The Ministry of the Environment lets extensive contracts for the building of water and sewage systems to serve municipalities. These investments are being recovered over the life of the agreement with the municipalities. Agreements covering \$967 million of the investment are for provincially-owned projects which are subject to service rate billings. The proceeds from billings are used to amortize the investment over periods up to forty years, to pay for operating costs and to provide a return on the investment. Certain other agreements provide for the accumulation of the principal portion of annual amortization payments in a sinking fund. The accumulated balance in such funds (included in deposit, trust and reserve accounts) was \$41 million at March 31, 1980 (1979 \$37 million).

5. Other loans and investments

Included in other loans and investments are Ministry of Health capital construction loans to public hospitals amounting to \$217 million (1979 \$236 million). During the 1980 fiscal year, the Province made grants of \$19.3 million (1979 \$19.1 million) to assist public hospitals in meeting principal and interest payments. No new loans have been made since 1978 when the Ministry changed its public hospitals capital financial support program from loans to grants.

6. Pension funds

	1980	1979
Public Service Superannuation Fund.	\$1,800	\$1,551
Legislative Assembly Retirement Allowances Account.	16	16
	<u>\$1,816</u>	<u>\$1,567</u>

The Province maintains accounts within the Consolidated Revenue Fund for all contributions and interest earnings less pension payments for both the Public Service Superannuation Fund and Legislative Assembly Retirement Allowances Account. The amounts recorded by the Province are essentially the sole assets of these pension plans.

Based on the latest actuarial report as at December 31, 1976, the Public Service Superannuation Fund had unfunded liabilities as follows:

1. An initial unfunded liability of \$83 million, upon which an interest contribution of \$6 million is required to be credited annually in accordance with The Pension Benefits Act.
2. Residual unfunded liabilities of \$422 million which are required to be amortized by annual payments of \$49 million until January 1, 1990 and \$32 million on January 1, 1991 and 1992.

As at March 31, 1980, the Province had made all scheduled payments.

An actuarial review of the Legislative Assembly Retirement Allowances Account as at March 31, 1980 revealed a surplus of \$43 thousand.

Through the budgetary expenditures of the Ministry of Education the Province makes annual contributions to the Teachers' Superannuation Fund (which is administered by the Teachers' Superannuation Commission) equal in amount to contributions by members. Further, the Province is committed to paying any deficiency in the fund.

Based on the latest actuarial report as at December 31, 1978, the Teachers' Superannuation Fund had unfunded liabilities as follows:

1. An initial unfunded liability of \$328 million upon which an interest contribution of \$23 million is required to be credited annually in accordance with The Pension Benefits Act.
2. Residual unfunded liabilities of \$768 million which are required to be amortized by annual payments of \$97 million until December 31, 1989 and \$94 million on December 31, 1990.

As at March 31, 1980 the Province had made all scheduled payments.

7. Debentures and notes

Years of Maturity March 31	1980 Payable in			1979	
	Canadian Dollars \$	United States Dollars \$	Deutsche Marks \$	Total \$	Total 100
1980					
1981	133		7	140	52
1982	62	40	7	109	108
1983	122	125	7	254	254
1984	106	82	7	195	203
1985	104		2	106	
1-5 years	527	247	30	804	717
6-10 years	2,205	99	10	2,314	1,973
11-15 years	3,787	44		3,831	3,423
16-20 years	6,931	429		7,360	6,303
21-25 years	1,439	866		2,305	2,448
26-30 years	161	2,116		2,277	2,355
31-35 years	51			51	37
36-40 years	36			36	25
	<u>\$15,137</u>	<u>\$3,801</u>	<u>\$40</u>	<u>\$18,978</u>	<u>\$17,281</u>

The U.S. dollar debenture liability is recorded at par with the Canadian dollar and with the exception of \$18.4 million, has been incurred on behalf of Ontario Hydro. As explained in note 2, the Province holds U.S. dollar bonds of Ontario Hydro having the same terms and conditions as the debentures of the Province.

The Province has borrowings of 139 million Deutsche Marks recorded at \$40 million, the Canadian dollar equivalent at the time of issue. At March 31, 1980 the Canadian dollar equivalent was \$85 million.

8. Contingent liabilities

The Province is guarantor of certain debt obligations as follows:

	1980	1979
Debentures, bonds and notes		
Ontario Hydro.	\$7,502	\$6,634
Other Provincial crown agencies.	10	10
	<u>7,512</u>	<u>6,644</u>
Bank loans guaranteed		
Provincial crown agencies.	8	9
Corporations and individuals through various government programs.	73	81
	<u>81</u>	<u>90</u>
	<u>\$7,593</u>	<u>\$6,734</u>

9. Long-term leases

The Province has long-term lease commitments for accommodation amounting to \$153 million to 1985 and an additional \$129 million for years beyond 1985. The lease payments made in 1980 amounted to \$45 million.

10. Economic stimulation

On April 10, 1978, the government announced a reduction in retail sales tax rates of three percentage points for a period of six months to stimulate consumption. The Government of Canada agreed to share two thirds of the cost of the tax reduction.

11. Budget figures

The comparative budget figures in the financial statements were taken from the 1979 Ontario Budget which was presented by the Treasurer of Ontario to the Legislative Assembly on April 10, 1979.

The Contingency Fund budget figure in the Statement of Budgetary Expenditure is a provision for the cost of salary and employee benefit revisions likely to be approved in the fiscal year. These revisions, when paid however, are charged to the affected appropriations of each ministry.

12. Accelerated local government grants

In March 1980, the government tabled Supplementary Estimates to permit earlier payment of grants to school boards and municipal governments. The budgetary expenditures for the Ministry of Education and the Ministry of Intergovernmental Affairs were increased by \$82 million and \$143 million respectively for payments which otherwise would have been made in the 1980-81 fiscal year.

13. Change in accounting treatment and comparative figures

In the current year, the Province discontinued its practice of holding Government of Canada revenue accounts open for a period of three weeks after the March 31 fiscal year end. Government of Canada revenues are now closed on a basis consistent with all other revenues which is cash received or in transit at March 31. As a result of this change, budgetary revenue is \$50 million lower and the budgetary deficit and net cash requirements are \$50 million higher than if the former practice was continued.

In addition, transactions relating to amounts borrowed by the Province on behalf of Ontario Hydro have been reclassified as Ontario Hydro transactions. As a result of this reclassification, both budgetary revenue and expenditure have decreased by \$316 million, while non-budgetary and debt transactions have decreased by \$214 million.

With the exception of the change to Government of Canada revenue, the 1979 comparative figures have been reclassified where necessary to conform with the 1980 financial statement presentation.



Ontario

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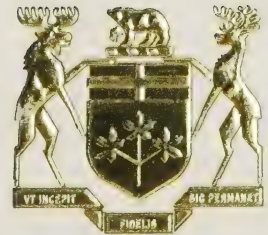
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Province of Ontario

Financial report
1981

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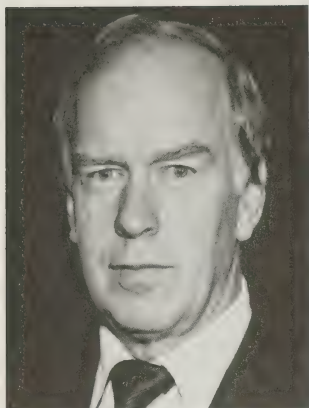


Province of Ontario

Financial report
1981



Treasurer's statement



Hon. Frank S. Miller,
Treasurer of Ontario

I am pleased to present the 1981 Financial Report of the Province of Ontario.

It was a difficult year for the economy and measures were announced in mid year to assist some sectors. In spite of this, through careful restraint, the net cash requirements were lower than was forecast in the April 1980 Budget.

This Report provides some commentary on the major aspects of Ontario's finances and presents the financial statements of the Province for the fiscal year ended March 31, 1981 with 1980 Budget figures for comparison. The Public Accounts submitted to the Legislature annually should be referred to for more detailed information.

The policy aspects of Ontario's financial operations are discussed in the annual Ontario Government Budget.

Comments or questions on this report will be welcome and should be directed to the Office of the Treasury of the Ministry of Treasury and Economics.

A handwritten signature in dark ink that reads "Frank S. Miller". The signature is written in a cursive style with a large, stylized "F" and "M".

Toronto, July 1981

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The year in review

The Budget of April 1980 indicated the prospect of a challenging year for the Province, heavily influenced as it is by federal policy and the economies of major trading partners.

At the same time, while revenue performance is affected by economic conditions, inflationary pressures continued to be felt in a number of the Province's basic social programs.

In the first half of the fiscal year the deepening recession in the United States spilled over into Ontario, resulting in a projected \$70 million reduction in retail sales tax yield and a slight reduction in personal income tax collections.

During this 6 month period, total government expenditures were contained within the Budget. Additional spending requirements were met by identifying and constraining savings in other programs. A \$33 million increase was required for fighting severe forest fires in northern Ontario, which burned approximately 1.4 million acres being the largest acreage affected since 1923. A \$20 million payment was assumed from local governments of their share of low-cost housing subsidies. There were other significant requirements predominately in social service programs with further pressures looming.

Following the federal budget of October 1980, and in the absence of a national economic plan, it was felt necessary to take some action at the provincial level. On November 13th 1980, the Treasurer of Ontario introduced Supplementary

Measures to Stimulate the Ontario Economy which made selective sales tax rebates and exemptions to bolster demand in the weaker sections of the economy. These actions were estimated to reduce the sales tax revenue by a further \$86 million in 1980-81 and \$174 million in 1981-82.

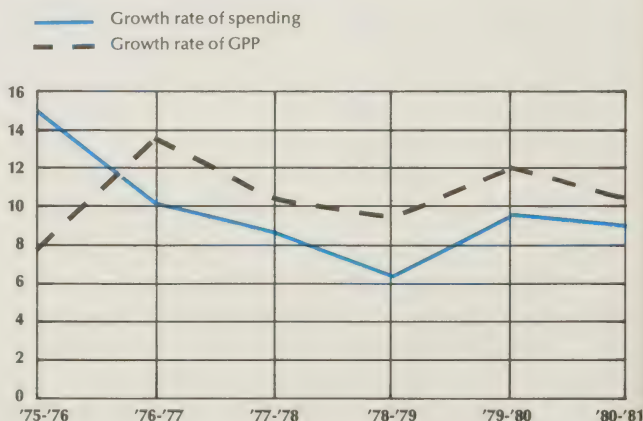
By the end of the fiscal year, additional funding of some \$427 million was necessary, largely in the fields of health care and social services. The main components of these increased costs, for the full fiscal year were \$68 million for operation of hospitals and clinical education, \$53 million additional payments to doctors, and \$15 million to support the Drug Benefit Plan. In addition, an extra \$36 million was provided for increases in general welfare and family benefits, \$15 million for Ontario Pensioner Property and Sales Tax Grants, and \$19 million for roads.

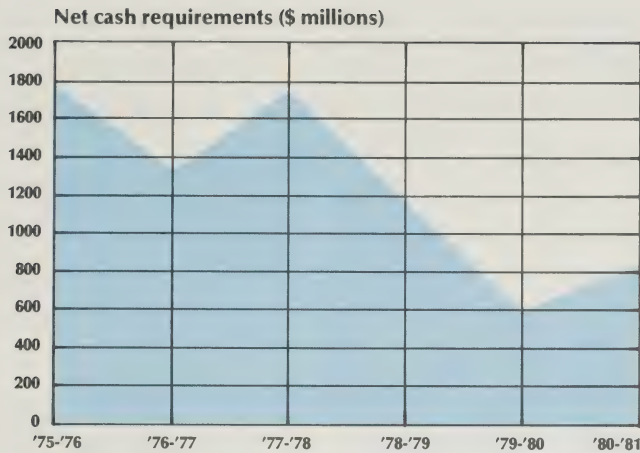
These additional costs were substantially covered by an overall increase of \$298 million in total revenues over the original Budget. The most significant contribution to this increase was \$148 million from personal income tax, mainly arising from federal adjustments to Ontario's 1978 and 1979 entitlements. A further \$52 million was mainly generated by the federal decision to reinstate an increased level of payments for the public utilities income tax for the years 1978 through 1980. Strong corporate sector performance resulted in increased yields of \$140 million and \$36 million in the corporations tax and mining profits tax respectively. The retail sales tax yield rebounded significantly over the final six months to close to \$108 million under budget. This was despite an earlier projection of a \$156 million reduction due to the first half sluggishness and the reduction through the Supplementary Measures.

Spending compared to GPP (%)

1975-76	1976-77	1977-78	1978-79	1979-80	1980-81
17.5	16.9	16.7	16.2	15.9	15.7

Growth in spending compared to Gross Provincial Product (%)





Spending performance

During the year, the Province once again maintained its spending growth rate below that of the Gross Provincial Product (GPP).

Since 1975 this restraining influence has supported the government's objective of reducing its claims on the economy so that increased resources are available to the private sector. The effect of this influence is demonstrated by an overall reduction during that period of 1.8% in provincial spending as a proportion of GPP.

Income performance

Despite the slowdown in certain parts of the economy and the tax reduction measures of the November Supplementary Measures, the total income of the Province, at \$16,470 million, remained fairly stable and within 2% above budget.

Further details of the revenue performance are given in the budgetary revenue section of this Report.

Net cash requirements

The net cash requirements of the Province, were projected in the Treasurer of Ontario's 1980 Budget at \$949 million. By judicious budgetary control and financial management, and by utilizing the increased prior years' entitlements due from Ottawa, the Province accomplished much. Unforeseen inflationary costs were accommodated and discretionary tax measures were taken while holding the net cash requirements to \$803 million, 15% less than budget.

This allowed the Province to remain out of the long-term public debt market for the fifth consecutive year as part of its overall objective of increasing the opportunities in this market for other borrowers.

Net cash requirements were essentially met from the Province's traditional non-public sources of the Canada Pension Plan Investment Fund and the Teachers' Superannuation Fund. This was accomplished while \$500 million of Canada Pension Plan funds were made available to Ontario Hydro, as planned in the 1980 Budget.

Ontario Hydro

The Province traditionally borrows on behalf of Ontario Hydro for its capital program in the United States and then lends that sum on identical terms to Ontario Hydro. This year no such public borrowings were made, however the same approach was used in transferring \$500 million of Canada Pension Plan borrowings to Ontario Hydro. Following the retirement of \$92 million of debentures and notes, the outstanding debt for Ontario Hydro amounted to \$4,190 million. This liability is totally offset by the corresponding asset of Ontario Hydro bonds held by the Province.

In addition, virtually all securities sold by Ontario Hydro on its own account are guaranteed by the Province. The contingent liability for this purpose at March 31, 1981 was \$8,182 million.

Budgetary revenue

The Province's budgetary revenue is classified into four major sources, the largest of which is taxation, accounting for about 60% of the total. Other revenues, which include premiums and various fees and licences, and profits of certain crown agencies account for about 17%, while a further 20% comes from the federal government under current fiscal arrangements and shared-cost programs. In addition, the Province receives interest revenue from investment of its surplus funds and its advances to certain crown agencies.

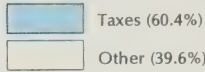
Taxation

The three major taxes, personal income tax, retail sales tax and corporations tax, together yield over 80% of the Province's taxation revenue.

For 1980 the personal income tax rate remained unchanged at 44% of the basic federal tax. The taxes are collected by the federal government under a tax collection agreement with Ontario, as a result of which Ontario receives regular monthly payments based on estimates of collections made prior to the beginning of the fiscal year. The increase in receipts from this source was unexpectedly high at 12% but \$156 million of the increase was due to an adjustment that the federal government made in respect of an underpayment of 1978 and 1979 provincial entitlements.

Retail sales tax is a 7% levy on the purchase price of most goods and services with exemptions for necessities such as food while some goods are taxed at a luxury rate of 10%. The 1980 Budget removed retail sales tax from certain items, principally for machinery used in research and development and certain energy conservation materials.

Major revenue sources



In 1980 there was a down-turn in the sales of consumer durables, and on November 13, 1980 the Treasurer of Ontario presented Supplementary Measures to Stimulate the Ontario Economy which were primarily aimed at assisting the manufacturing and tourism sectors of the economy. The main thrust of the actions was to selectively rebate or exempt from sales tax, purchases of certain items which were both largely produced and sold within Ontario. This included a rebate of sales tax on light trucks and vans, exemptions on household appliances, residential furniture and building materials, and an

extension of the exemptions for sales tax on accommodations, furnishings, and machinery and equipment used in the tourism industry. The effect of these actions was estimated to cost \$86 million in 1980-81 and \$174 million in 1981-82. As a result of both the economic situation and the exemptions outlined above, the revenue from this tax source was \$2,562 million which reflected a growth rate of only 6% for the fiscal year.

The corporations tax consists mainly of income tax plus a capital tax and insurance premiums tax. There were no changes in the rates of these taxes, however, a time extension was made for the payment of the capital tax, and

a new investment tax credit introduced for small businesses. Nevertheless, collections were greater than expected and totalled \$1,792 million in the year.

The rates for gasoline tax and motor vehicle fuel tax were unchanged during the year and only a marginal increase of 2% was registered, reflecting the economic situation and the increasing numbers of more fuel efficient vehicles coming on to the roads.

The mining profits tax showed strong performance in 1980-81 by being 29% over budget at \$161 million. In addition, \$52 million over the original forecast was received from the federal government with respect to public utilities income tax. This payment is a partial rebate of the related federal income tax paid by privately owned public utilities and was increased in 1980-81 due to a federal government decision to reinstate these payments at a 95% level retroactive to 1978.

The remainder of the taxes performed much as expected showing modest increases over the previous year.

Other revenue

The most substantial component of other revenue is premiums collected under the Ontario Health Insurance Plan. Payment of this premium entitles residents of Ontario to almost full reimbursement of most physicians' fees and hospitalization expenses. The plan covers both individuals and families and a majority of residents are insured by this plan through their employer. The premiums collected fund less than a third of the costs of the program, the balance being financed through general taxation. Since the Province gives a premium exemption for those unable to afford it; essentially social assistance

recipients, and those over 65; premium revenue is not expected to rise when unemployment is increasing. Thus the 2% increase in premium revenue is not unexpected. There were no increases in premium rates in 1980-81.

The Liquor Control Board of Ontario retails liquor, Canadian and imported wines, and some beers, and transfers the profits to the Province which this year totalled \$433 million. Growth from this revenue has been steady over the years and with no significant changes to mark-up rates in 1980-81, a modest increase in profits was recorded.

The Ontario Lottery Corporation contributed \$116 million in profits from the Wintario and Lottario games. This was 73% over the 1980 Budget estimate and was mainly attributable to the overwhelming success of Lottario in only its second full year of operation.

Motor vehicle licences yielded less than anticipated which was partially due to the increase in sales of automobiles with smaller engines. The 1980-81 receipts of \$312 million were only slightly higher than those of the previous year.

Other fees and licences of \$285 million, include Liquor Licence Board revenue of \$126 million, which is predominantly the gallonage fees for the production of beer for sale in the Province.

Of the remaining items classified as other revenue, the only significant deviation from plan was in the miscellaneous category which included an estimate of \$100 million to be received from Ontario Hydro in settlement of cancellation of

an agreement concerning the Pickering nuclear generating station. An agreement has not yet been finalized and payment therefore has not been made.

Payments from the Government of Canada

For many years the federal government has had cost-sharing arrangements with the provinces, notably in the social fields of health, post-secondary education and welfare. A few programs are still on this basis, most significantly the Canada Assistance Plan which assists provincial welfare programs. However revised fiscal arrangements agreed in 1977 allow for greater provincial sensitivity to population needs. There is now a provision for more provincial tax room in the personal income tax field and for cash payments for established programs which grow annually at rates tied to Gross National Expenditure and provincial populations. Total payments from the federal government in 1980-81 were \$3,025 million.

Interest on loans, advances and investments

Interest revenue arises primarily from two sources. Firstly, the Province lends monies to its crown agencies and to municipalities. Secondly, the Province's surplus funds are invested in short-term securities. The Province normally lends its funds on a basis related to market rates at the time, and interest revenues from these sources amounted to some \$349 million. An additional \$191 million was earned from the Province's investment of surplus funds in the short-term money markets.

Budgetary expenditure

Budgetary expenditure accounts for over 97% of all government outlays and totals some \$16,836 million in 1980-81. Of this amount, \$12,057 million was in the form of transfer payments to third parties or government agencies and municipalities.

To improve coordination of the wide range of government activities, ministries have been organized into policy fields. There are three operational policy fields: Social Development which includes those ministries whose function relates to health, education, welfare and social services; Resources Development which manages natural and infra-structural resources, environment, agriculture and related areas; and Justice Policy which concerns itself with the administration and enforcement of justice. The other ministries are grouped in a General Government category.

Social development policy field

There are five operating ministries in this field: Health, Education, Colleges and Universities, Community and Social Services, and Culture and Recreation under the general coordination of the Social Development Policy Secretariat.

HEALTH

Most health services are either supplied directly by the Ministry of Health or are insured by the Ontario Health Insurance Plan (OHIP). Under the umbrella of OHIP the Ministry pays virtually all of the operating and capital expenses of Ontario's 222 public hospitals and related facilities amounting to \$2,422 million, and reimburses patients for

90% of approved medical costs according to a fee schedule. In addition, the Ministry funds ambulance services, home care, extended health care and official local health agencies together with the Ontario Drug Benefit Plan which is designed to provide necessary drugs primarily to senior citizens. Total expenditures by the Ministry for health care are \$4,858 million.

EDUCATION

The Ministry of Education supports primary and secondary education in the Province by way of grants to local school boards, covering kindergarten to grade 13 in the public school system. In addition to supporting school boards with operating grants, the Province has also financed their capital needs by making financing available through a provincial agency, the Ontario Education Capital Aid Corporation. In 1980-81 this form of financial assistance, some \$46 million, was changed to a grant basis as direct expenditure of the Ministry. The total provincial support of operating and capital costs of \$2,187 million is over half of the total cost of the system with the balance being borne at the municipal level through local property tax levies.

Included in the provincial support to school boards is a substantial portion of the employee benefits of teachers, specifically the employer's contributions and the unfunded liability payment for the Teachers' Superannuation and Adjustment Funds which amounted to \$259 million.

COLLEGES AND UNIVERSITIES

The Ministry of Colleges and Universities supports the post-

secondary educational sector of the Province which includes 15 Universities, 22 Colleges of Applied Arts and Technology and certain other institutions such as Ryerson Polytechnical Institute, Royal Military College, and the Ontario College of Art. Consistent with its belief in accessibility to post-secondary education, the Province has pursued a policy of permitting those institutions to charge relatively low fees and has provided the support necessary for their funding to a level of about 80% of costs. In addition to direct support for the institutions, the Province provides assistance to students who can demonstrate that they cannot meet the fees from their own resources. This assistance in the form of grants and loan guarantees amounted to \$90 million.

OTHER SOCIAL

The Ministry of Community and Social Services provides a variety of services directly through its own facilities and financially supports other institutions and social agencies.

A significant portion of the budget, \$732 million, is in the form of income maintenance. Individuals without financial resources on a long-term basis received \$459 million in direct assistance from the Province. In the case of short-term or temporary assistance, the Province paid \$226 million to relieve 50% of the costs borne by the municipalities concerned.

Adult services include income maintenance, rehabilitation services for the handicapped, financial support to senior citizens homes, mental retardation facilities and community programs.

These services totalled \$1,125 million.

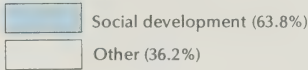
Services to children, totalling \$382 million, are delivered through mental health services, observation and detention homes, juvenile correctional services, and child welfare through the support of children's aid societies and day nurseries.

Ministries other than Community and Social Services also provide direct and indirect support of senior citizen and low income groups. This support includes the Ministry of Revenue's property tax and sales tax grant payments to senior citizens, amounting to \$268 million and Guaranteed Annual Income System payments of \$103 million; the Ministry of Health's portion of the Ontario Drug Benefit Plan and OHIP premium relief; and the Ministry of Housing's low income housing subsidies of over \$123 million. In total the various forms of assistance to these groups amounted to some \$2,100 million.

Resources development policy field

This field covers the development of both natural and infrastructural resources in the Province. The most significant programs from a cost viewpoint are delivered by the Ministry of Transportation and Communications which is responsible for all provincial highways in Ontario and contributes substantially to the construction and maintenance of municipal roads. Provincial highway construction and maintenance cost \$477 million, while subsidies paid to municipalities in support of their road programs amounted to \$413 million. In addition to

Budgetary expenditures by policy field



constructing and maintaining roads, the Ministry has also become substantially involved in assisting commuter travel particularly with a view to replacing the automobile in urban areas. In the Toronto area the Ministry supports the GO commuter train operation and a network of express buses as well as a subway system and conventional urban bus routes. Subsidies are also provided to other municipalities to support their transit systems and the overall subsidies paid in support of these transportation alternatives were \$199 million.

The Ministry of Natural Resources administers the

crown lands which still comprise 88% of the Province. By direct expenditures and support of conservation authorities, \$229 million was spent on land and resource management. The balance of Ministry expenditures, \$120 million, covers outdoor recreation including hunting, fishing and management of Provincial parks and forests.

The major costs of the Ministry of Housing are subsidies paid to the Ontario Housing Corporation as the provincial share of rent-geared-to-income housing at \$123 million, and transfer payments of \$59 million paid to various municipalities and community

groups for programs of community renewal and revitalization.

While the Ministry of the Environment maintains the quality of the environment through its regulatory and monitoring functions, its principal expenditures are in the operation of certain utility plants and the direct grant support to municipalities to assist them in the construction of sewage and water treatment plants and trunk sewers. \$45 million was spent on utility plant operations and a further \$69 million on assistance to municipalities.

The Ministry of Agriculture and Food provides a series of educational, research and marketing services to the farming community. Its most significant expenditures however, are concerned with the upgrading of farming land and the protection of smaller farmers against the vagaries of market prices of agricultural products. \$123 million was provided for such services.

Justice policy field

The primary function of the Justice Policy Field is to maintain a frame-work for society and preserve the safety of the public through four operating ministries. The Attorney General administers the courts of the Province, at a cost of some \$95 million, while contributing some \$37 million from the Legal Aid Fund to provide legal representation for those whose resources are inadequate.

The Ontario Provincial Police Force of 4,000 is the direct responsibility of the Solicitor General and provides policing services to those areas in the Province where none is available, generally smaller

municipalities and rural areas. The Solicitor General also supervises the activities of other police forces in Ontario and provides required educational and arbitration services. The cost of these programs was \$189 million.

The principal activity of the Ministry of Correctional Services is the provision for care, treatment and training of offenders at a cost of \$120 million. The Ministry also manages parole and rehabilitation through community service programs.

The Ministry of Consumer and Commercial Relations protects the public by registration, setting standards, and requiring licences for a variety of day to day activities. Of the Ministry's \$76 million expenditure, \$31 million was spent in the administration of standards and a further \$23 million in registration of property rights.

General government

The General Government group of ministries are those which provide an administrative or central government policy function. The Ministry of Intergovernmental Affairs coordinates dealings with the federal government and other provincial and municipal governments. It is also responsible for the payment of unconditional grants to municipalities which amounted to \$398 million, compared to \$629 million last year. This decrease from the previous year is mainly due to the assistance given in 1979-80 when the Province accelerated \$143 million which otherwise would have flowed in 1980-81 to assist them with short-term interest and financing costs.

The Ministry of Government Services supplies accommoda-

tion to all government ministries and many crown agencies at a cost for the year of \$220 million. The Ministry also provides a number of centralized common services such as internal mail and government printing and operates the computer facilities of the Government.

The principal function of the Ministry of Revenue is to collect taxes. However, for several years the Ministry has also administered the Guaranteed Annual Income System which is designed to provide a basic level of income security for Ontario's senior citizens. In the year the Ministry introduced the new Pensioner Property Tax Grant and Pensioner Sales Tax Grant programs also designed to assist those 65 and over. The three programs provided for payments to Ontario senior citizens of \$372 million.

The Ministry of Northern Affairs coordinates development in northern Ontario, the largest expenditures taking the form of road construction, community and regional priorities, and support of the Ontario Northland Transportation Commission. The Ministry expenditures for the year were \$156 million.

The Ministry of Treasury and Economics administers the Employment Development Fund (EDF) which was set up last year. This fund has provided \$210 million of support in the two years of its existence to the tourism and industrial sectors of Ontario, securing considerable private sector investment. This investment will ensure the undertaking of new projects with significant job creation potential. At the same time EDF assistance has helped further the long term job security for many mill workers and loggers in the Ontario pulp and paper industry.

Major components of budgetary expenditure

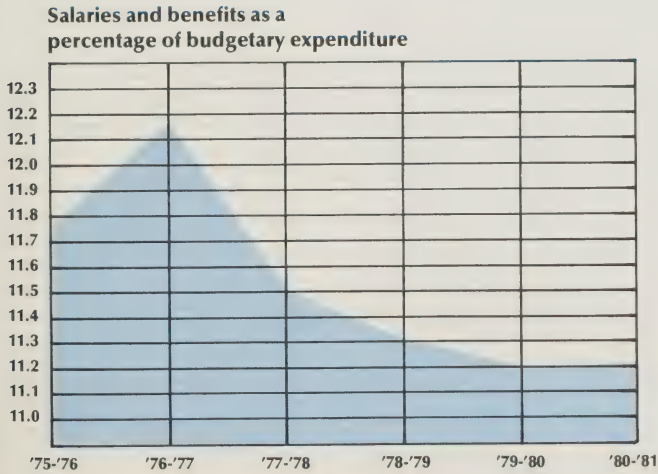
The most significant form of government expenditures is transfer payments to third parties, which was 72% of all budgetary expenditure. The largest component of these payments went to local governments and their school boards and agencies amounting in all to some \$4,100 million through a variety of grant programs administered by several government ministries. Just over half of this assistance to local governments went to school boards for primary and secondary education support, some 11% in unconditional grants and another 26% for social assistance and transportation costs.

The Health Insurance Plan support for the operations of public hospitals and for payments to physicians accounted for 24% of total budgetary expenditure while post-secondary education grants to universities and colleges absorbed about 8%.

Less than 20% of budgetary expenditure is spent for the government's own administration costs and the operation of its own programs. This proportion has declined steadily over the years as the Government has carefully and progressively restrained expenditures. It has been demonstrated that over the last six years total Government spending has been reduced when compared to the increase in the Gross Provincial Product. This has limited further government expansion into the economy of the Province. A key feature of this achievement has been Ontario's ability not only to check the growth but actually to reduce the absolute size of the civil service since 1975 by 6%. The effect of this reduction clearly shows this trend in the chart below which compares salaries and benefits to budgetary expenditure over that period.

Major components of budgetary expenditure (%)

Transfer payments	
Local governments	24.1
Health insurance plan	24.0
Post-secondary education	8.2
Other	15.3
Other	
Salaries, wages and employee benefits	11.2
Interest	9.5
Other	7.7
Total budgetary expenditure	100.0



Non-budgetary transactions

In addition to its normal grant support and administrative operations, the Province also has lending activity and trust administration functions which are classified as non-budgetary transactions.

Lending and investment activity

Government assistance has frequently been more appropriately provided by way of loan rather than by grant. In the 1960's and early 1970's the growth in population resulted in a very heavy demand for educational and housing facilities of a capital nature which required provincial assistance. Using its central borrowing powers, the Province funded the capital requirements of a number of agencies for these purposes with loans repayable in full over a fixed term at a market rate of interest.

In the latter part of the 1970's the growth in population tailed off and the demand for additional facilities diminished. Therefore in 1977 the Province announced that a number of capital lending programs would be phased out and that future capital replacement and upgrading needs would be met from grants. This year lending to school boards through the Education Capital Aid Corporation was discontinued and

replaced by direct grants. The final significant area remaining is in water treatment and waste control facilities where the Province continues to wind down previously committed projects. As a result, the cash inflows from repayments of prior loans exceed the outflows on new loans.

This year the Province disbursed an additional \$264 million in new loans, a significant reduction from that of previous years. \$124 million went towards investment in water treatment and waste control facilities where the Province is committed to the municipalities to complete the projects under previous financing arrangements. The Ontario Development Corporations received \$44 million during the year to assist various industries in Ontario. Through the subsidized interest rates on loans to municipalities for tile drainage the Province helps improve agricultural lands by ensuring their proper drainage, a program which has grown steadily in the last few years.

Trust administration

A significant activity of the Province is its function as a trustee for a variety of funds on deposit. The Public Service Superannuation Fund is the basic pension plan for some 78,000 public servants. Employee and employer matching contributions, interest at prevailing market rates, and special amounts to

amortize reported actuarial deficits, are recorded in this account. Pension benefits and refunds of contributions are recorded as payments from the account. Higher interest rates and unfunded liability payments have caused the net cash inflow to the account to grow more rapidly over the last two years, increasing by \$272 million this year.

The Superannuation Adjustment Fund is designed to provide a pension supplement to partially offset the effects of inflation on the pensions of retired employees, mainly public servants who contributed to the Public Service Superannuation Fund, and to retired teachers who contributed to the Teachers' Superannuation Fund. The net inflow of employee/employer contributions and interest over the payments made amounted to \$111 million.

The Province of Ontario Savings Office has a network of 21 branches in Ontario and accepts deposits from the general public at competitive interest rates. These deposits are guaranteed by the Province. The Savings Office deposits all surplus funds with the Province on a demand basis and by the end of the fiscal year total deposits amounted to \$623 million.

The Provincial Lottery improved its profitability slightly during the year and turned over \$26 million to the Province. Super Loto, in its first full year of operation returned a further \$10 million. During the year these lotteries paid out some \$45 million of which about three quarters was for health related purposes.

Funded debt

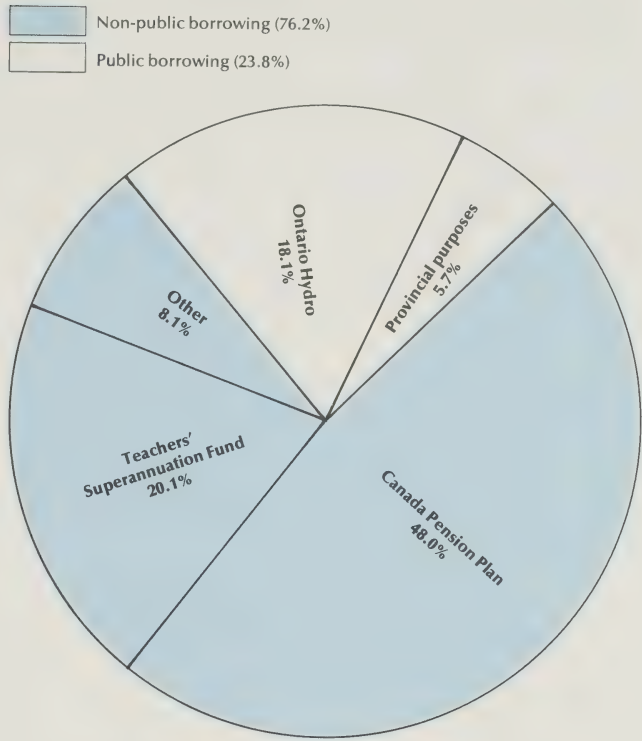
The funded debt of the Province is defined to include those obligations that have a specified term to maturity, are secured by a debt instrument and includes bonds, debentures, notes and treasury bills. Virtually all of the total funded debt outstanding at March 31, 1981 was in the form of long-term debentures.

Ontario has met most of its own long-term financial requirements from non-public sources. At March 31, 1981, 76% of all funded debt had been obtained from non-public sources. The Canada Pension Plan is the most significant lender, having invested in \$9,795 million of provincial debentures. The amount that the plan offers to purchase from the Province is based on the contributions made by employers and employees resident in the Province of Ontario less benefits paid to Ontario pensioners. The interest charges reflect the federal government's market borrowing rates.

In 1980-81 the Canada Pension Plan generated \$1,038 million for investment in Ontario. Since funds available to the Province from all of its non-public sources exceeded its net cash requirements, the Treasurer of Ontario indicated in his 1980 Budget that \$500 million of Canada Pension Plan funds would be made available to Ontario Hydro on the same terms and conditions that were applied to the Province.

The other major non-public source of funds is that managed by the Teachers' Superannuation Commission. The Commission administers the pension fund for all Ontario's school teachers and invests its surplus in debentures of the Province at a rate of interest based on the Province's borrowing costs of the previous year. The commission now holds \$4,092 million of provincial debentures.

Major components of funded debt



Until December 31, 1978, the Ontario Municipal Employees Retirement System (OMERS), which provides a pension scheme for employees in the local government sector, purchased \$1,293 million of debentures from the Province. Since 1979 however, OMERS has invested its excess revenue in private sector investments. The Province has not issued

any debentures directly to OMERS since that time.

Of the remainder of the non-public funded debt, \$104 million has been issued to the federal government and \$266 million has been issued to the Canada Mortgage & Housing Corporation — an agency of the federal government. The CMHC debt has been used to finance the construction of waste control facilities. The federal government loans have been primarily used to assist municipalities with certain projects.

In the last five years, the public markets have been used only to raise monies for Ontario Hydro and for the temporary Provincial 91 day Treasury Bill program. When Ontario borrows on behalf of Ontario Hydro in the United States, it flows the proceeds to Ontario Hydro, taking back a bond with the same terms and conditions as the securities issued by the Province. At March 31, 1981, the outstanding funded debt borrowed in the United States for Ontario Hydro was \$3,690 million. By contrast, publicly held funded debt outstanding borrowed for

Provincial purposes, was only \$1,164 million.

Funded debt characteristics

Debentures issued in the public market now total less than 25% of all funded debt and 76% of these public issues have been borrowed on behalf of Ontario Hydro. Ontario Hydro reimburses the Province for payment of interest and retirements of issues made on its behalf. Other than this debt, the Province on its own account has \$1.2 billion of debt outstanding on the public markets which has an average term to maturity of 8.9 years.

Approximately 4.8% of the total funded debt is scheduled to mature within the next five years and 12.4% in the next following five years. Of the amounts maturing in the next five years \$346 million is payable in U.S. dollars. During this same period, German debt amounting to 94 million Deutsche Marks currently valued at \$27 million will be maturing. The balance of the funds are repayable in Canadian dollars.

Central financing policy

One characteristic of government financing in the

Selected funded debt statistics as at March 31, 1981

	As a percentage of total	Average term to maturity	Average cost* to the province	Average annual rate of growth March 31, 1977- March 31, 1981
	(%)	(years)	(%)	(%)
Publicly held				
Provincial purposes	5.7	8.9	7.5	-9.0
Ontario Hydro purposes	18.1	22.4	8.8	10.9
Total publicly held debt	23.8	19.1	8.4	4.2
Non-public				
Canada Pension Plan	48.0	13.9	8.8	13.0
Other	28.2	17.6	9.0	15.5
Total non-public debt	76.2	15.2	8.9	13.9
Total funded debt	100.0	16.2	8.8	11.2

* Includes transactions costs.

Province, is the extent to which the Province has used its own financial strength to fund the local government sector and its own agencies. It has also strictly controlled use of the Provincial guarantee almost exclusively to borrowings undertaken by Ontario Hydro.

The centralized financing policy and the restricted use of the Provincial guarantee, have resulted in 85% of the total Ontario public sector debt being accounted for as either direct or contingent liabilities of the Province. This policy combined with significant

transfer payment programs has substantially reduced the use of the financial capital markets by municipalities, universities, colleges, hospitals, school boards and provincial quasi-commercial agencies.

In recent years only Ontario Hydro and a few large municipalities have issued funded debt to the public. Ontario Hydro's public borrowings guaranteed by the Province account for over 98% of the reported contingent liabilities. Local government borrowings are not provincially guaranteed, but there are

restrictions in borrowing activities by the limitation of debt ceilings set by the Ontario Municipal Board.

The Province therefore, by using its broader revenue base to borrow on behalf of its agencies, by strictly controlling the use of its guarantee, and by the surveillance of the Ontario Municipal Board is in strategic control of the debt raising activities in the Ontario public sector.

Funded debt of the Ontario public sector (\$ millions)

	Estimated at March 31, 1981			March 31, 1980	
	Gross debt	Debt issued to the Province or its agencies	Consolidated debt	%	Consolidated debt
Province of Ontario					
Direct	20,405		20,405	60.7	18,978
Guaranteed*	8,187		8,187	24.4	7,512
Provincial boards, commissions and corporations**	1,517		1,517	4.5	1,599
Local governments	5,024	1,668	3,356	10.0	3,169
Universities and colleges	1,286	1,192	94	0.3	92
Hospitals and associated operations	248	198	50	0.1	55
	<u>36,667</u>	<u>3,058</u>	<u>33,609</u>	<u>100.0</u>	<u>31,405</u>

* Excludes bank loans

** \$1,301 million has been issued to a Government of Canada agency

Selected financial and economic statistics

(\$ millions)

March 31	1977	1978	1979	1980	1981
Consolidated revenue fund inflows					
Budgetary revenue	10,514	11,099	12,322	14,214	15,549
Non-budgetary receipts and credits	634	683	911	1,032	921
Consolidated revenue fund outflows					
Budgetary expenditure	11,743	12,920	13,913	15,346	16,836
Non-budgetary disbursements and charges	724	624	500	484	437
Net cash requirements	1,319	1,762	1,180	584	803
Provincial debt transactions (net)	1,092	1,506	1,652	1,133	968
Ontario Hydro debt transactions (net)	269	392	667	214	408
Liabilities					
Debentures, notes and treasury bills					
Provincial purposes	10,894	12,365	14,038	15,196	16,215
On behalf of Ontario Hydro	2,510	2,901	3,568	3,782	4,190
Other	1,783	2,115	2,463	2,946	3,333
Total liabilities	15,187	17,381	20,069	21,924	23,738
Contingent liabilities					
Funded debt (debentures, bonds and notes)	5,708	6,124	6,644	7,512	8,187
Total contingent liabilities	5,806	6,212	6,734	7,593	8,289
Ontario public sector funded debt¹	23,544	26,214	29,181	31,405	33,609
Gross provincial product at market prices²	73,721	81,244	88,938	99,628	109,889
Gross provincial product in constant (1971) prices²	46,018	47,407	48,800	49,548	49,433
Personal income (Ontario)²	60,659	67,164	73,714	81,698	90,121
Personal income (Ontario) per capita (June 1 population) (in dollars)	7,376	8,039	8,730	9,608	10,516
Net cash requirements/GPP (%)	1.8	2.2	1.3	0.6	0.7
Funded debt — provincial purposes/GPP (%)	14.8	15.2	15.8	15.3	14.8
Ontario public sector funded debt/GPP (%)	31.8	31.9	32.5	31.0	30.6

¹ Ontario public sector funded debt is the funded debt of the Province and all provincial agencies, boards and commissions including local governments net of intra-sector borrowing.

² Gross provincial product and personal income are calculated on a calendar year basis. The amounts appearing in a fiscal year column are for the preceding calendar year.

**Financial
statements
1981**

Summary of significant accounting policies

The accounting basis

The following financial statements prepared using the concept of a Consolidated Revenue Fund, have been designed primarily to provide an accounting of the financial resources appropriated by the Ontario Legislature. The fundamental requirement to report compliance with legislative authority results in a presentation of financial information in a manner significantly different from that used in the private sector. The accrual basis of accounting used in the private sector best reflects the costs incurred to earn revenues; the policies and practices followed by the Province under which the financial transactions of government ministries are recorded and displayed as Consolidated Revenue Fund cash inflows and outflows best accommodates reporting to the Legislature.

The cash basis of accounting used by the Province is modified to allow for an additional thirty days to pay for goods and services pertaining to the fiscal year just ended. In this regard, payments to employees for the pay period which overlaps the fiscal year end date are apportioned between the two years. Cash inflows, on the other hand, are closed at March 31 for cash received or in transit. With respect to provincial crown corporations, agencies, boards and commissions, the financial statements of the Consolidated Revenue Fund reflect only the extent to which their operations have been financed from or have contributed to the Fund for the year.

Classification of transactions

The transactions of the Province of Ontario are presented in summary form according to the four distinct areas of government activity

through the Consolidated Revenue Fund.

“Budgetary Transactions” are operational activities which include the revenues raised through taxation, premiums, fees, licences and permits, payments from the federal government under fiscal arrangements and shared-cost programs and income from investments. Expenditures on government programs include payments for goods and services, interest on the public debt, salaries, transfer payments to individuals, municipalities and institutions, subsidies and grants, and the acquisition or creation of fixed assets.

“Non-Budgetary Transactions” are the lending, investment and trust administration functions which include, as distinct from expenditure, the government lending and investment activity in various crown corporations, agencies and municipalities. All of these loans and advances are repayable or represent equity holdings supported by the assets of the corporations. Also included in this category is the activity within deposit, trust and certain special purpose accounts. “Disbursements” is the term used to describe the lending and investment transactions of the government. “Receipts” consist of the repayment of loans or recovery of investments. “Credits” is the term used to describe payments into deposit, trust and special purpose accounts. Payments made from these same accounts are termed “Charges”.

“Debt Transactions” are the borrowing and repayment transactions which include obligations issued to both non-public and public sources of funds.

“Ontario Hydro Transactions” relate to amounts borrowed by the Province on behalf of Ontario Hydro. The Province issues securities and advances the proceeds to Ontario Hydro in

exchange for bonds with the same terms and conditions. Since these transactions and the ensuing retirement and debt servicing costs are the result of a financing alternative and are not a part of the Province's own budget plan, they are classified separately.

Assets and liabilities

The assets and liabilities reported in the financial statements are financial claims which have been created by cash transactions. The recorded assets are claims by the Consolidated Revenue Fund on other parties. The liabilities are claims by other parties on the Consolidated Revenue Fund.

Since expenditures on fixed assets do not represent financial claims on other parties and are not considered to differ from any other service to the public they are not reported as assets but are expensed as budgetary items in the year of acquisition.

Debentures, notes and treasury bills are recorded as liabilities at the face value of the debt instrument, and discount, premium and commission expenses are treated as current year budgetary transactions. The general resources of the Province are used for the continued orderly retirement of debt and no sinking funds are maintained for this purpose.

The contingent liabilities of the Province consist of guarantees by the Treasurer of Ontario of debt instruments issued by provincial agencies, boards and commissions and bank loans under certain government programs. Other significant legal commitments and liabilities are disclosed in notes to the financial statements.

The net debt of the Province is the excess of liabilities over recorded assets. It is also the accumulation of all budgetary deficits and surpluses since Confederation. The year-to-year change in net debt is the amount by which budgetary revenues exceed or are less than budgetary expenditures.

Statement of consolidated revenue fund

for the year ended March 31, 1981 (\$ millions)

	Budget 1981	Actual 1981	Actual 1980
Opening balance			
Cash and temporary investments		<u>1,569</u>	<u>1,020</u>
Budgetary transactions			
Revenue	15,298	<u>15,549</u>	14,214
Expenditure	<u>16,709</u>	<u>16,836</u>	<u>15,346</u>
Budgetary deficit	(1,411)	(1,287)	(1,132)
Non-budgetary transactions			
Loans, advances and investments			
Receipts	245	<u>310</u>	391
Disbursements	<u>233</u>	<u>264</u>	<u>351</u>
Net decrease in loans, advances and investments	<u>12</u>	<u>46</u>	<u>40</u>
Trust administration functions			
Credits	629	<u>611</u>	641
Charges	<u>179</u>	<u>173</u>	<u>133</u>
Net increase in trust administration functions	<u>450</u>	<u>438</u>	<u>508</u>
Non-budgetary transactions (net)	<u>462</u>	<u>484</u>	<u>548</u>
Net cash requirements	(949)	(803)	(584)
Debt transactions			
Proceeds of loans	1,121	<u>1,137</u>	1,567
Retirements of loans	<u>163</u>	<u>169</u>	<u>434</u>
Debt transactions (net)	<u>958</u>	<u>968</u>	<u>1,133</u>
Ontario Hydro transactions			
Proceeds of debentures		<u>500</u>	300
Retirements of debentures		<u>92</u>	<u>86</u>
		<u>408</u>	<u>214</u>
Related advances, interest and recoveries		<u>(408)</u>	<u>(214)</u>
Ontario Hydro transactions (net)		<u>—</u>	<u>—</u>
Closing balance			
Cash and temporary investments		<u>1,734</u>	<u>1,569</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of budgetary revenue

for the year ended March 31, 1981 (\$ millions)

	Budget 1981	Actual 1981	Actual 1980
Taxation			
Personal income tax (note 12)	3,430	3,578	3,184
Retail sales tax	2,670	2,562	2,414
Corporations tax	1,652	1,792	1,616
Gasoline tax	631	618	610
Tobacco tax	291	284	274
Mining profits tax	125	161	100
Motor vehicle fuel tax	135	133	128
Land transfer tax	100	101	95
Public utilities income tax	23	75	—
Race tracks tax	55	55	51
Succession duty	8	25	47
Federal government income tax revenue guarantees	10	10	—
Other	4	3	3
	<u>9,134</u>	<u>9,397</u>	<u>8,522</u>
Other revenue			
Premiums — Ontario Health Insurance Plan	1,054	1,061	1,037
Profits from crown corporations and boards			
Liquor Control Board of Ontario	423	433	400
Ontario Lottery Corporation	67	116	62
Ontario Energy Corporation	37	—	35
Vehicle registration fees	336	312	310
Liquor Licence Board — fees	125	126	123
Other fees and licences	165	159	141
Royalties	64	74	70
Fines and penalties	70	73	68
Sales and rentals	65	63	49
Utility service charges	52	62	56
Other	130	108	94
	<u>2,588</u>	<u>2,587</u>	<u>2,445</u>
Government of Canada			
Established Programs Financing			
Cash Contribution	1,963	1,934	1,817
Extended Health Care Services	230	230	208
Canada Assistance Plan	506	548	472
Adult Occupational Training Agreement	104	114	93
Other	251	199	167
	<u>3,054</u>	<u>3,025</u>	<u>2,757</u>
Interest on loans, advances and investments	<u>522</u>	<u>540</u>	<u>490</u>
Total budgetary revenue	<u>15,298</u>	<u>15,549</u>	<u>14,214</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of budgetary expenditure

for the year ended March 31, 1981 (\$ millions)

	Budget 1981	Actual 1981	Actual 1980
Social development policy field			
Health	4,717	4,858	4,266
Education (note 13)	2,617	2,604	2,565
Colleges and Universities	1,526	1,542	1,445
Community and Social Services	1,455	1,528	1,344
Culture and Recreation	191	204	202
Social Development Policy	2	3	2
	<u>10,508</u>	<u>10,739</u>	<u>9,824</u>
Resources development policy field			
Transportation and Communications	1,199	1,212	1,139
Natural Resources	289	349	280
Housing	258	248	196
Environment	185	182	135
Agriculture and Food	182	180	159
Industry and Tourism	74	81	68
Labour	50	51	41
Energy	31	26	11
Resources Development Policy	3	3	3
	<u>2,271</u>	<u>2,332</u>	<u>2,032</u>
Justice policy field			
Solicitor General	192	209	186
Attorney General	165	182	157
Correctional Services	146	156	137
Consumer and Commercial Relations	73	76	68
Justice Policy	1	1	1
	<u>577</u>	<u>624</u>	<u>549</u>
General government			
Revenue (note 12)	474	488	194
Intergovernmental Affairs (note 13)	469	460	687
Government Services	287	284	328
Northern Affairs	157	156	137
Treasury and Economics	147	102	148
Office of The Assembly	22	35	20
Other	22	21	19
	<u>1,578</u>	<u>1,546</u>	<u>1,533</u>
Public debt — interest	1,614	1,595	1,408
Contingency fund (note 11)	161	—	—
Total budgetary expenditure	<u>16,709</u>	<u>16,836</u>	<u>15,346</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of non-budgetary transactions

for the year ended March 31, 1981 (\$ millions)

Loans, advances and investments

RECEIPTS

	Budget 1981	Actual 1981	Actual 1980
Corporations, boards and commissions			
The Ontario Education Capital Aid Corporation .	76	78	73
The Ontario Universities Capital Aid Corporation	30	30	30
Development Corporations	24	20	22
Ontario Land Corporation	9	19	5
Ontario Mortgage Corporation	23	17	45
Ontario Housing Corporation	1	12	5
The Crop Insurance Commission of Ontario . . .	—	11	—
Ontario Energy Corporation	—	—	106
Other	8	8	5
Water treatment and waste control facilities	31	70	53
Loans to municipalities	25	26	22
Other loans and investments	18	19	25
	<u>245</u>	<u>310</u>	<u>391</u>

DISBURSEMENTS

Corporations, boards and commissions			
Development Corporations	37	44	39
Urban Transportation Development Corporation	—	31	—
Ontario Land Corporation	24	20	19
Ontario Housing Corporation	7	7	4
The Crop Insurance Commission of Ontario . . .	—	—	38
The Ontario Education Capital Aid Corporation .	—	—	69
Other	4	4	2
Water treatment and waste control facilities	126	124	139
Loans to municipalities	34	33	40
Other loans and investments	1	1	1
	<u>233</u>	<u>264</u>	<u>351</u>

Net decrease in loans, advances and investments

12	46	40
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Trust administration functions

CREDITS

Pension funds	368	363	333
Deposit, trust and reserve accounts	187	185	154
The Province of Ontario Savings Office deposits — net increase	74	63	154
	<u>629</u>	<u>611</u>	<u>641</u>

CHARGES

Pension funds	93	89	84
Deposit, trust and reserve accounts	86	84	49
	<u>179</u>	<u>173</u>	<u>133</u>

Net increase in trust administration functions

450	438	508
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Total non-budgetary transactions

462	484	548
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See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of debt transactions

for the year ended March 31, 1981 (\$ millions)

	Budget 1981	Actual 1981	Actual 1980
Proceeds of loans			
NON-PUBLIC			
Teachers' Superannuation Fund	547	569	537
Canada Pension Plan Investment Fund	550	538	988
Canada Mortgage and Housing Corporation — waste control loans	24	30	42
Total proceeds of loans	<u>1,121</u>	<u>1,137</u>	<u>1,567</u>
Retirements of loans			
NON-PUBLIC	<u>25</u>	<u>26</u>	<u>23</u>
PUBLIC			
For general purposes	138	143	86
Treasury Bills (net)	—	—	325
	<u>138</u>	<u>143</u>	<u>411</u>
Total retirements of loans	<u>163</u>	<u>169</u>	<u>434</u>
Debt transactions (net)	<u>958</u>	<u>968</u>	<u>1,133</u>

Statement of Ontario Hydro transactions

for the year ended March 31, 1981 (\$ millions)

	1981	1980
Proceeds of debentures (note 2)	500	300
Retirements of debentures	92	86
Net increase in debentures for Ontario Hydro purposes	<u>408</u>	<u>214</u>
Related advances, interest and recoveries		
Loans to Ontario Hydro	500	300
Interest on debentures	355	316
Recovery of interest and debenture retirements	(447)	(402)
Related advances, interest and recoveries (net)	<u>408</u>	<u>214</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of assets and liabilities

as at March 31, 1981 (\$ millions)

Assets

	1981	1980
Cash and temporary investments (note 1)	1,734	1,569
Advances to Ontario Hydro, secured by bonds (note 2)	4,190	3,782
Advances and investments — other corporations, boards and commissions (note 3)	4,131	4,220
Investments in water treatment and waste control facilities (at cost less recoveries) (note 4)	1,116	1,062
Loans to municipalities	367	360
Other loans and investments (note 5)	212	230
Total recorded assets	11,750	11,223
Net debt	11,988	10,701
	<u>23,738</u>	<u>21,924</u>

Liabilities

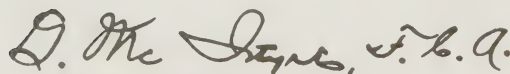
Deposits with The Province of Ontario Savings Office	623	560
Pension funds (note 6)	2,090	1,816
Deposit, trust and reserve accounts	605	504
Advances payable	15	66
Debentures and notes (note 7)	20,405	18,978
	<u>23,738</u>	<u>21,924</u>
Contingent liabilities (note 8)	<u>8,289</u>	<u>7,593</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Approved on behalf of the Ministry of Treasury and Economics:



Deputy Treasurer of Ontario and Deputy Minister of Economics



Assistant Deputy Minister, Office of the Treasury

Notes to the financial statements

(all figures in millions of dollars)

1. Cash and temporary investments

Temporary investments are recorded at cost and are predominantly short term securities issued or guaranteed by Canadian chartered banks. Also included are debentures and bonds issued or guaranteed by the Province which, at March 31, 1981, had a cash value of \$60 million (1980 \$56 million) and a market value of \$48 million (1980 \$44 million).

2. Advances to Ontario Hydro

The Province, in addition to guaranteeing Ontario Hydro debt obligations, has issued \$3,690 million of U.S. dollar debentures on behalf of Ontario Hydro which have been recorded at par. At March 31, 1981 the Canadian dollar equivalent was \$4,380 million. In 1980-81, the Province also borrowed \$500 million for Ontario Hydro from the Canada Pension Plan in Canadian funds. The proceeds of all such borrowings have been advanced to Ontario Hydro in exchange for bonds with the same terms and conditions as the securities of the Province.

3. Advances and investments — other corporations, boards and commissions

	1981	1980
The Ontario Education Capital Aid Corporation	\$1,196	\$1,274
The Ontario Universities Capital Aid Corporation	1,144	1,174
Ontario Mortgage Corporation	568	585
Ontario Land Corporation	517	516
Ontario Housing Corporation	190	195
Development Corporations	240	216
Other	276	260
	<u>\$4,131</u>	<u>\$4,220</u>

The Ontario Education Capital Aid Corporation has received advances from the Province to purchase bonds or debentures issued by school boards for capital expansion programs. The securities held by the Corporation are the obligations of the individual school boards. However, under current support arrangements for local school boards, approved debt charges are subject to Provincial grants averaging 75%. Effective April 1, 1980 the loan program was replaced by grants to school boards from the Ministry of Education. The Corporation will continue to administer the repayment of the outstanding loans.

The Ontario Universities Capital Aid Corporation, under a program which was discontinued in 1978, received advances from the Province to purchase bonds or debentures issued by provincial universities, colleges, the Art Gallery of Ontario, the Royal Ontario Museum and municipalities on behalf of public libraries, for approved capital construction projects. The securities held by the Corporation are the obligations of the issuing institutions. Effective April 1, 1978 the loan program was replaced by grants to the institutions which in 1981 amounted to \$114 million (1980 \$115 million) from the Province to cover the full amount of principal and interest due to the Corporation. The Corporation will continue to administer the repayment of the outstanding loans.

The Ontario Mortgage Corporation has used advances from the Province to provide primary and secondary mortgage financing for eligible persons. The Province paid subsidies amounting to \$2.0 million in 1981 (\$2.3 million in 1980) to the Corporation for certain loans made at interest rates lower than cost.

The Ontario Land Corporation was established in 1974 to assemble land for new communities and industrial parks. In 1978 the Corporation's objects were broadened to include land development. In this connection, certain assets of the Ontario Housing Corporation including land leases, mortgages, mortgage guarantees, agreements for sale and lands scheduled for residential, industrial and commercial development, were transferred along with related liabilities to the Ontario Land Corporation with effect from January 1, 1979. The Province charges no interest on advances being used to finance land holdings. At March 31, 1981 these advances were \$399 million (1980 \$400 million).

The Ontario Housing Corporation plans, constructs and manages residential housing projects. Financing is provided by the Province and the Canada Mortgage and Housing Corporation. The Province's share of the subsidy for the calendar year 1980 was \$124 million (1979 \$102 million). As described above, certain assets and liabilities were transferred to the Ontario Land Corporation with effect from January 1, 1979.

The Ontario Development Corporation and the associated Eastern Ontario Development Corporation and Northern Ontario Development Corporation provide loans and arrange for provincial guarantees of bank loans to qualified enterprises. The Province has purchased an equity of \$7 million and has advanced all funding for the lending programs of the Corporations. Through its budgetary expenditures, the Province also transfers to the Corporations an amount to defray the costs of all administrative expenses, loans made at low interest rates, certain loan forgiveness, honouring guarantees, and writing off loans and losses. In 1981 these transfers amounted to \$24.3 million (1980 \$24.4 million).

4. Investments in water treatment and waste control facilities

The Ministry of the Environment lets extensive contracts for the building of water and sewage systems to serve municipalities. These investments are being recovered over the life of the agreement with the municipalities. Agreements covering \$1,022 million of the investment are for provincially-owned projects which are subject to service rate billings. The proceeds from billings are used to amortize the investment over periods up to forty years, to pay for operating costs and to provide a return on the investment. Certain other agreements provide for the accumulation of the principal portion of annual amortization payments in a sinking fund. The accumulated balance in such funds (included in deposit, trust and reserve accounts) was \$44 million at March 31, 1981 (1980 \$41 million). Since 1978-79, the Province has changed its policy and is phasing out its direct investment in favour of assisting municipalities by direct grants.

5. Other loans and investments

Included in other loans and investments are Ministry of Health capital construction loans to public hospitals amounting to \$198 million (1980 \$217 million). During the current fiscal year, the Province made grants of \$17.5 million (1980 \$19.3 million) to assist public hospitals in meeting principal and interest payments. No new loans have been made since 1978 when the Ministry changed its public hospitals capital financial support program from loans to grants.

6. Pension funds

	1981	1980
Public Service Superannuation Fund	\$2,072	\$1,800
Legislative Assembly Retirement Allowances Account	18	16
	<u>\$2,090</u>	<u>\$1,816</u>

The Province maintains accounts within the Consolidated Revenue Fund for all contributions and interest earnings less pension payments for both the Public Service Superannuation Fund and Legislative Assembly Retirement Allowances Account. The amounts recorded by the Province are essentially the sole assets of these pension plans.

Based on the latest actuarial report as at December 31, 1979, the Public Service Superannuation Fund had unfunded liabilities as follows:

1. An initial unfunded liability of \$83 million, upon which an interest contribution of \$7 million is required to be credited annually in accordance with The Pension Benefits Act.
2. Residual unfunded liabilities of \$233.5 million which are required to be amortized by annual payments of \$33 million until January 1, 1990 and \$32 million on January 1, 1991 and 1992.

As at March 31, 1981, the Province had made all scheduled payments.

An actuarial review of the Legislative Assembly Retirement Allowances Account as at March 31, 1981 revealed a deficit of \$957 thousand.

7. Debentures and notes

Years of Maturity March 31	1981 Payable in			1980	
	Canadian Dollars	United States Dollars	Deutsche Marks	Total	Total
1981	\$	\$	\$	\$	\$
1982	62	40	7	109	140
1983	122	125	7	254	109
1984	106	82	7	195	254
1985	103		3	106	195
1986	214	99	3	316	106
1-5 years	607	346	27	980	804
6-10 years	2,472	44	6	2,522	2,314
11-15 years	4,478			4,478	3,831
16-20 years	7,427	479		7,906	7,360
21-25 years	1,389	1,102		2,491	2,305
26-30 years	174	1,738		1,912	2,277
31-35 years	69			69	51
36-40 years	47			47	36
	<u>\$16,663</u>	<u>\$ 3,709</u>	<u>\$ 33</u>	<u>\$20,405</u>	<u>\$18,978</u>

The U.S. dollar debenture liability of \$3,709 million is recorded at par with the Canadian dollar and with the exception of \$18.1 million, has been incurred on behalf of Ontario Hydro. At March 31, 1981 the Canadian dollar equivalent was \$4,401 million. As explained in note 2, the Province holds an asset of U.S. dollar bonds of Ontario Hydro recorded at a par value of \$3,690.4 million. These bonds have the same terms and conditions as the securities of the Province and at March 31, 1981 the Canadian dollar equivalent was \$4,380 million.

The Province has borrowings of 114 million Deutsche Marks recorded at \$33 million, the Canadian dollar equivalent at the time of issue. At March 31, 1981 the Canadian dollar equivalent was \$65 million.

8. Contingent liabilities

The Province is guarantor of certain debt obligations as follows:

	1981	1980
Debentures, bonds and notes		
Ontario Hydro	\$8,182	\$7,502
Other Provincial crown agencies	5	10
	<u>8,187</u>	<u>7,512</u>
Bank loans guaranteed		
Provincial crown agencies	3	8
Corporations and individuals through various government programs	99	73
	<u>102</u>	<u>81</u>
	<u>\$8,289</u>	<u>\$7,593</u>

9. Long-term leases

The Province has long-term lease commitments for accommodation amounting to \$168 million to 1986 and an additional \$118 million for years beyond 1986. The lease payments made in 1981 amounted to \$48 million.

10. Teachers' Superannuation Fund

Through the budgetary expenditures of the Ministry of Education the Province makes annual contributions to the Teachers' Superannuation Fund (which is administered by the Teachers' Superannuation Commission) equal in amount to contributions by members. Further, the Province is committed to paying any deficiency in the fund.

Based on the latest actuarial report as at December 31, 1978, the Teachers' Superannuation Fund had unfunded liabilities as follows:

1. An initial unfunded liability of \$328 million upon which an interest contribution of \$23 million is required to be credited annually in accordance with The Pension Benefits Act.
2. Residual unfunded liabilities of \$768 million which are required to be amortized by annual payments of \$97 million until December 31, 1989 and \$94 million on December 31, 1990.

As at March 31, 1981 the Province had made all scheduled payments.

11. Budget figures

The comparative budget figures in the financial statements were taken from the 1980 Ontario Budget which was presented by the Treasurer of Ontario to the Legislative Assembly on April 22, 1980.

The Contingency Fund budget figure in the Statement of Budgetary Expenditure is a provision for the cost of salary and employee benefit revisions likely to be approved in the fiscal year. These revisions, when paid however, are charged to the affected appropriations of each ministry.

12. Property and sales tax grants

As a result of legislation, payments were made during 1980-81 for two new grants for senior citizens, the property tax grant and the sales tax grant. These payments directly increase the budgetary expenditure of the Ministry of Revenue by \$268 million.

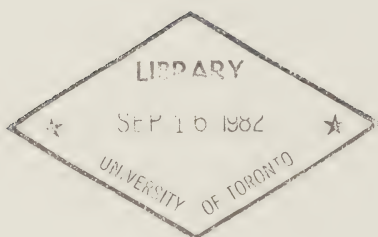
Persons who are eligible for these grants are not entitled to claim property tax and sales tax credits for the same year. However in 1980-81 the Province's personal income tax revenue was reduced by credits claimed by individuals for the 1979 tax year since tax credits are normally refunded to individuals in the calendar year after the year for which they are claimed. This practice is consistent with that of previous years.

13. Accelerated local government grants

In March 1980, the government tabled Supplementary Estimates to permit earlier payment of grants to school boards and municipal governments. The budgetary expenditures for the Ministry of Education and the Ministry of Intergovernmental Affairs were increased by \$82 million and \$143 million respectively for payments which otherwise would have been made in the 1980-81 fiscal year.

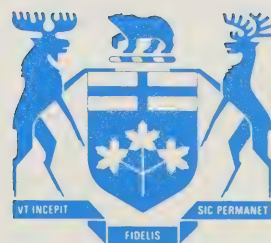
14. Comparative figures

The 1980 comparative figures have been reclassified where necessary to conform with the 1981 financial statement presentation.



Province of Ontario

Financial report
1982





Honourable Frank S. Miller, Treasurer of Ontario

Treasurer's statement

It is my pleasure to present the 1982 Financial Report of the Province of Ontario highlighting the major aspects of Ontario's finances and presenting the financial statements of the Province, in summary form, for the fiscal year ended March 31, 1982. The Public Accounts submitted to the Legislature each year may be referred to for more detailed information. Information on the Government's ongoing financial plan is contained in the annual Budget of the Ontario Government.

The past year has been particularly challenging due to the continuing high interest rates, inflationary pressures and the sluggish economic performance. The impact has been difficult for all sectors of the population and especially so for the manufacturing, industrial and agricultural sectors. The need to maintain levels of service provided to the citizens of Ontario and to undertake initiatives to promote economic development and job creation resulted in selective increases to the spending level compared to the forecast in the May 1981 Budget.

Comments or questions on the contents of this Report are welcome and you are invited to direct them to the Office of the Treasury in the Ministry of Treasury and Economics.



Toronto, August 1982

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The year in review

The Budget plan of May 1981 was set in a period of economic uncertainty. The foundation laid by the extended period of expenditure restraint since 1975 however, had put the Province in the position of some flexibility to respond to emerging needs. The plan recognized the necessity of continuing the reasonable level of services the people of Ontario require and the need to promote economic development and job creation, in a time of strong inflationary pressure. The fiscal framework therefore, was set with a view to:

- encourage the private sector to grow and compete in the international and domestic markets,
- maintain a reasonable level of services provided by the Province and allow for growth in priority areas,
- ensure a financial balance consistent with long-term growth and employment generation.

In recognition of these objectives, the Province had established the Board of Industrial Leadership and Development (BILD), under the chairmanship of the Treasurer of Ontario. In support of its mandate to coordinate and implement Ontario's economic development strategy in partnership with the private sector, some \$143 million was spent during the year in new initiatives spanning human resources, natural resources, electricity, transportation, communities and technology.

The continuation of support services required an appropriate increase in the funding levels to recognize the sensitivity of Government spending to inflation. Several new initiatives were added to the overall health care system and programs to aid the handicapped.

Continued high interest rates, inflationary pressures, and the downturn in the economy all affected the

Province's performance against the Budget plan.

Spending performance

Total spending exceeded the original Budget projections by \$989 million. A substantial portion of this increase resulted from specific Government initiatives, the most significant of which was the 25% equity investment in Suncor Inc.

The particular difficulties experienced by the farming community were recognized. Funding was increased for beef and hog farmers and the Ontario Farm Adjustment Assistance Program was introduced. Together, these actions increased the total commitment to assist farm producers by \$81 million.

General legislative grants to school boards and unconditional grants to municipalities were accelerated by \$25 million and \$35 million respectively. This acceleration alleviated interim

Financial highlights

(\$ millions)

	1982	1981
Budgetary revenue	17,884	15,549
Budgetary expenditure	19,651	16,836
Non-budgetary transactions (net)	264	484
Net cash requirements	1,503	803
Provincial debt transactions — proceeds	1,439	1,137

financing costs of these local jurisdictions. A further \$36 million of provincial assistance on the construction of sewage and water treatment plants was recognized as negotiations were being finalized with certain municipalities to take over ownership responsibilities from the Province.

Inflation and the sluggish economic performance influenced social programs, most significantly in the areas of health and social services. The total increase in funding for the operation of hospitals was \$207 million which was attributable to wage settlements and hospitals' revenue shortfalls. Increased caseload and benefit levels required an additional \$70 million for the provincial family benefits program and municipal general welfare assistance.

Other significant increases from Budget include some \$98 million of increased capital spending to stimulate construction in educational, health, and cultural facilities, roads, and transportation equipment. Extra firefighting costs in Northern Ontario required an increase of \$15 million, while the continuation of high interest rates required an additional \$9 million in public debt interest costs.

Income performance

While the downturn in the economy affected certain aspects of the provincial revenue performance, total income of \$18,886 million was within 3% and above Budget.

The most significant changes arose in the yield from personal income tax due to a series of upward adjustments made by the federal

government in its estimate of the Province's entitlement under the tax collection agreement. These comprised \$336 million applicable to prior years, together with \$178 million in estimate revisions for the 1981 and \$34 million for the 1982 tax years. Somewhat offsetting these changes to personal income tax estimates, the federal government also made some downward adjustments amounting to \$103 million for payments under the Established Programs Financing formula.

The continued weakness in the economy, both domestically and in the international marketplace, impacted on corporate and mining profits. Tax revenues from these sources were substantially less than anticipated, dropping 10% and 60% respectively.

Net cash requirements

Net cash requirements for the year were \$1,503 million, some \$506 million higher than projected in the 1981 Budget. Excluding the purchase of Suncor shares, net cash requirements were held within \$181 million of the Budget plan. The Province was able to finance these requirements from its non-public sources: the Canada Pension Plan Investment Fund, the Teachers' Superannuation Fund, and its own liquid reserves. At the same time, \$500 million of provincial entitlements from the Canada Pension Plan Investment Fund was made available to Ontario Hydro. The Province has not entered the long-term public financial markets on its own account for the sixth consecutive year, and over the past two years has also been

able to reduce the public financing needs of Ontario Hydro by the transfer of \$1,000 million of Canada Pension Plan funds.

Ontario Hydro

The Province traditionally borrows on behalf of Ontario Hydro in the United States public markets and advances the proceeds to Ontario Hydro on identical terms. This year \$950 million was issued publicly on behalf of Ontario Hydro, in addition to the \$500 million transfer of Canada Pension Plan funds under flow-through arrangements. Following the retirement of \$110 million of securities, the outstanding debt on behalf of Ontario Hydro amounted to \$5,530 million. This liability is totally offset by the corresponding assets of Ontario Hydro securities held by the Province. In addition, securities sold by Ontario Hydro on its own account are guaranteed by the Province. The contingent liability for this purpose at March 31, 1982 was \$4,530 million.

Budgetary revenue

Budgetary revenue is classified by four major sources, the largest of which is taxation representing some 62% of the total. Payments received from the federal government, relating to the current fiscal arrangements and shared-cost programs, approximate 18%. Health insurance premiums, profits from certain crown agencies and various fees and licences constitute about 16%. Interest earned by the Province on the investment of available funds and on its advances to crown agencies contributed the balance of about 4% of budgetary revenue for the year. The chart provides a capsule overview of the comparative percentages.

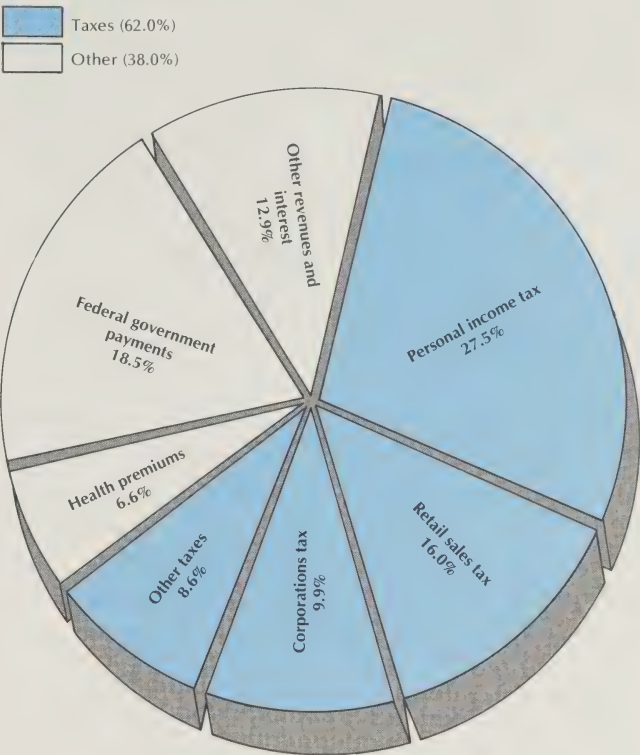
Taxation

General taxation yielded some \$11,088 million. The three major sources, personal income, retail sales and corporations taxes, represented approximately 86% of the total.

The personal income tax rate was raised, effective July 1, 1981, to 48% from 44% of the basic federal tax. This was the first increase in personal tax rates in Ontario since 1977. The federal government collects this tax under an agreement with Ontario and, accordingly, the Province receives regular payments throughout the year based on federal government estimates made prior to the beginning of the fiscal year. The yield from this source was \$4,928 million; an increase of more than \$548 million above the Budget projection. This appearance of a strong performance was the result of several revisions to the original estimates by the federal government:

- upward adjustments to payments received in 1980 amounting to \$336 million;
- revisions to federal govern-

Major sources of budgetary revenue



- ment basic tax rates in 1981 resulting in an increase of \$178 million;
- changes to estimates for 1982 representing a further \$34 million.

In 1981-82 the basic retail sales tax rate was 7% applicable on the purchase price of most goods and some services. Some items, such as food and children's clothing, were exempt from sales tax. Retail sales tax revenue amounted to \$2,853 million, closely matching the Budget plan.

The Province has used selective adjustments of the retail sales tax to stimulate the Ontario economy. In November 1980 the Treasurer announced supplementary

measures designed to provide the necessary stimulus in certain sectors of the economy in response to a significant down-turn in the sale of consumer durables. These measures removed retail sales tax from the sales of household appliances, residential furniture, light trucks and vans, building materials and furnishings together with machinery and equipment used in the tourism industry. Initially, the exemption period was scheduled to apply from November 1980 to June 30, 1981, however the exemption on residential furniture was extended to September 30, 1981 by the 1981 Budget. The total reduction in taxation revenue from these stimulative

measures was \$174 million. In the autumn of 1981, the Treasurer announced a temporary rebate of retail sales tax on the purchase of new 1981 automobiles to stimulate lagging sales. This resulted in a further reduction of \$20 million in the retail sales tax yield.

Corporations tax comprises taxes on corporate income, capital and insurance premiums. While there was no change in the rates, the Budget established favourable treatment in the areas of development, exploration and energy efficient equipment acquisitions. The purpose of this action was to stimulate industrial research, development and the movement toward a greater use of energy efficient alternatives. The corporations tax revenue was \$1,769 million; a decrease from the Budget estimate of some \$193 million which can be directly related to the impact on corporate profits resulting from the general economic conditions.

The gasoline and motor vehicle fuel taxes generated some \$931 million, slightly higher than Budget projection. A change in the method of tax application was announced in the 1981 Budget. Effective May 20, 1981, the taxes were shifted to a percentage of retail prices, an ad valorem basis, with the retail prices being adjusted quarterly beginning July 1, 1981. The percentages established were 20% and 27% for gasoline and diesel fuel prices respectively. This change, coupled with the energy agreement between the federal government and the producing provinces, resulted in a stronger revenue performance. However, this was largely counterbalanced by reduced consumption due to the continued move toward smaller fuel efficient automobiles.

Tobacco tax was similarly altered to the ad valorem basis in the 1981 Budget. The tax rates of 36% and 30% on the retail price of cigarettes and cut tobacco respectively, scheduled for quarterly adjustment commencing July 1, 1981, produced nearly \$345 million. This performance was fractionally stronger than originally projected.

The mining profits tax, initially projected at \$140 million, generated less than \$56 million. This significant drop resulted from a combination of a very weak performance in the international metals markets and the unfavourable economic conditions generally.

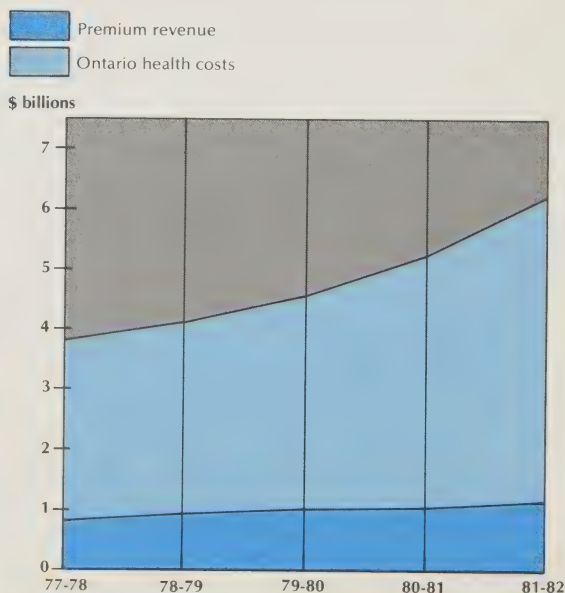
Public utilities income tax payments are received from the federal government and represent a partial rebate of federal government income tax paid by privately owned public utilities operating within Ontario. While the Budget estimate was \$34 million, the actual revenue

received approximated only \$8 million. This unexpected reduction resulted from the federal government's recovery of its overpayments to Ontario in respect of the 1979 taxation year.

Payments from the Government of Canada

Since 1977, when the federal and provincial governments agreed to revised fiscal arrangements, the bulk of the payments received each year related to formula cash payments for established programs. The agreement, which expired on March 31, 1982, provided important flexibility to the Province in responding to the needs of its residents. These payments grew annually at rates reflecting the growth of the Gross National Expenditure and the Province's population. Of the total \$3,308 million received from the federal government, approximately \$2,301 million related to established programs financing. The balance of some \$1,007 million

OHIP premiums and health related expenditures



covers a wide range of cost-sharing programs with the emphasis on the social fields of health, education and welfare. The most significant program was the Canada Assistance Plan, amounting to almost \$630 million.

Other revenue

Premiums collected under the Ontario Health Insurance Plan (OHIP) generated some \$1,179 million, an increase of \$118 million over the previous year and slightly less than was projected in the 1981 Budget. An increase of 15%, effective in the benefit month of October 1981, brought the monthly premium rates to \$23 and \$46 for single and family coverage respectively. The chart on page 6 compares this premium revenue to the Province's health related expenditures.

The profit from the retailing operation of the Liquor Control Board of Ontario was \$502 million, a 16% increase over the previous year. This

strong showing resulted from Budget changes increasing the mark-up an average of 5%. Revenue generated by the Liquor Licence Board of Ontario exceeded \$170 million. The 1981 Budget rescinded the gallonage fee levied on the production of beer for sale in Ontario and replaced it with a 20% mark-up applicable to laid-down production and distribution costs. This structural change, applicable to the production and retailing of domestic beer, accounted for the increase of some 35% over the \$126 million generated in the previous year.

Profits of \$137 million were received from the Ontario Lottery Corporation representing an 18% growth over the previous year. The continued growth in lotteries' profits demonstrates the popularity of the Lottario and Wintario games.

Motor vehicle licence revenues dropped sharply generating less than \$296

million, approximately 13% under Budget projections. The decline was attributable to the continued movement to smaller engine cars and the severe impact that the economic conditions has had on the sales and registration of motor vehicles.

Interest on loans, advances and investments

The Province earned \$623 million in interest revenue from its loans to crown agencies (Ontario Hydro excluded) and to the municipalities in support of a variety of municipally-oriented projects plus the investment of the Province's liquid reserves.

Summary

The total budgetary revenue for 1981-82 was \$17,884 million; an increase of \$426 million over the Budget projection of approximately \$17,458 million. The table below highlights the performance of major revenue sources in relation to the Budget estimates.

Performance of major revenues

	Budget (\$ millions)	Actual (\$ millions)	Variance (\$ millions)
Taxation			
— Personal income tax	4,380	4,928	+548
— Retail sales tax	2,831	2,853	+ 22
— Corporations tax	1,962	1,769	-193
— Others	<u>1,600</u>	<u>1,538</u>	<u>- 62</u>
Taxation total	10,773	11,088	+315
Government of Canada			
— Established programs financing	2,403	2,301	-102
— Other	<u>951</u>	<u>1,007</u>	<u>+ 56</u>
Government of Canada total	3,354	3,308	- 46
OHIP Premiums	1,194	1,179	- 15
LCBO Profits and LLBO Revenues	621	672	+ 51
Interest	484	623	+139
Other	<u>1,032</u>	<u>1,014</u>	<u>- 18</u>
Total	<u>17,458</u>	<u>17,884</u>	<u>+426</u>

Budgetary expenditure

The budgetary expenditure for the fiscal year totalled \$19,651 million of which some \$14,263 million, or 73%, was in the form of transfer payments. Transfer payments are paid directly to individuals, businesses, municipalities, school boards, institutions such as public hospitals and universities, and government agencies. The remainder, \$5,388 million, includes salaries of the public service employees, interest costs on the public debt and general operating expenses associated with the administration supporting program delivery.

The ministries making up the corporate structure of the Province are organized into four policy fields to aid in the coordination of the wide range of government activities. Three of the four policy fields are operational in nature with each group of ministries coming under the general coordination of a Policy Secretariat. The fourth field, General Government, comprises those ministries fulfilling central policy formulation or administrative functions.

Social development policy field

The operating ministries in this field, coordinated by the Social Development Policy Secretariat, accounted for some \$12,492 million or about 64% of budgetary expenditure.

HEALTH

Direct support through the provision of health services cost \$5,776 million and represented 29.4% of the total budgetary expenditure.

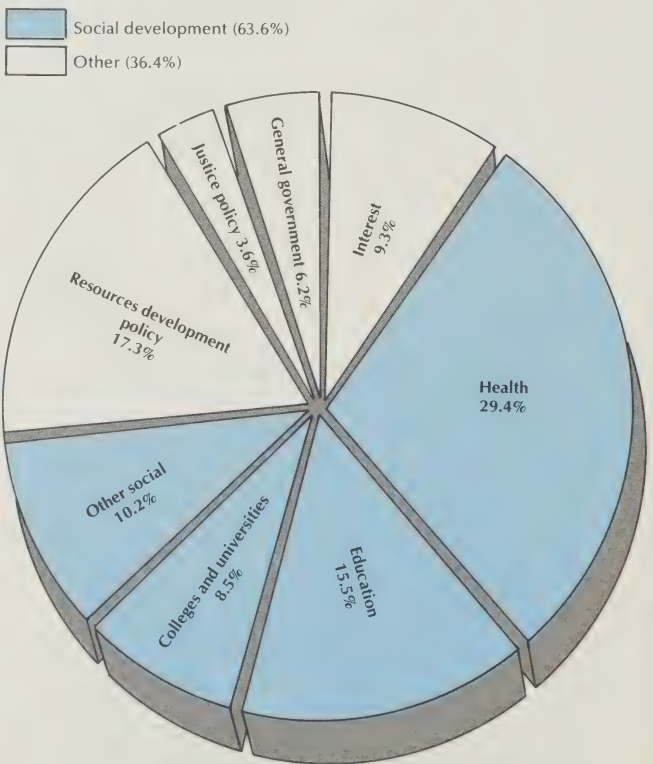
The ministry paid virtually all the operating and capital expenses of the public hospitals and related facilities, some

\$2,950 million, an increase over the previous year of more than 22%. In addition, payments for extended and special care facilities, ambulance and other emergency services, community health services and health research required more than \$757 million. Under the Ontario Health Insurance Plan (OHIP), patients are insured for medical costs in accordance with an approved schedule negotiated and agreed to between the Government and the Ontario Medical Association. The Plan paid medical claims of \$1,543 million which represents an increase of approximately 16%

over the previous year. Payments of \$167 million were made under the Ontario Drug Benefit Plan to ensure that Ontario's senior citizens and low income groups obtain the necessary drugs prescribed by their medical practitioners.

Ministry expenditures were \$245 million over initial projections, largely attributable to the necessary increases in hospital funding resulting from wage settlements of \$118 million plus hospitals' revenue shortfalls of \$87 million. The significant pressures on the expenditures reflect the prevailing level of inflation and rising demand for health

Budgetary expenditures by policy field



services. The chart on page 6 provides a trend comparison of OHIP premium revenues and health services expenditures since 1978.

EDUCATION

The Government's commitment to the educational requirements of the Province represents 24% of total budgetary expenditure. The two ministries responsible for the provision of these services, the Ministry of Education and the Ministry of Colleges and Universities, are under the direction of one cabinet minister.

The Ministry of Education covers the educational activity at the primary and secondary school levels. Expenditures of \$3,045 million represent an increase of 17% over the previous year. Of this total more than \$2,564 million was paid directly to the 171 school boards throughout Ontario supporting their operating and capital financing needs. In addition, the Province pays a substantial amount of the teachers' benefits. Specifically, the Ministry of Education pays the matching employer's share of teacher contributions to the Teachers' Superannuation Fund and the Superannuation Adjustment Fund. An annual amount is also paid to amortize the actuarial deficit of the Teachers' Superannuation Fund. This action, in total, amounted to approximately \$353 million.

The Ministry of Colleges and Universities finances post-secondary educational services in Ontario. This sector consists of 16 universities, 22 Colleges of Applied Arts and Technology and other institutions such as Ryerson Polytechnical Institute, Royal Military College in Kingston and the Ontario College of Art. Reflecting the Government's

belief in the importance of maintaining a high level of accessibility to post-secondary education, \$1,547 million was paid to these institutions toward their operating and capital costs. This funding was complemented by \$86 million in financial assistance to those students who demonstrate that they cannot fully meet their educational costs from their own resources.

SOCIAL SERVICES

The Ministry of Community and Social Services provides a wide range of services through its own facilities and by direct financial subsidies to institutions, municipalities and various special agencies throughout the Province. Total expenditure for this ministry was \$1,770 million, an increase of more than \$117 million over the 1981 Budget projections.

Adult services include income maintenance paid directly to people with inadequate financial resources and subsidies paid to municipalities equal to 50% of the costs associated with payments to those residents requiring temporary financial assistance. In total, some \$1,006 million was spent in these direct forms of income maintenance, including \$194 million to homes for senior citizens and for rehabilitative support programs for the handicapped. Services to children, totalling some \$352 million, include mental health and juvenile correctional services plus child welfare programs provided by children's aid societies and day nurseries.

In addition to the services above, other ministries provide direct and indirect assistance to senior citizens and low income groups, most notably the Ministries of Municipal Affairs and Housing, Revenue and Health. Munic-

ipal Affairs and Housing provided \$142 million toward subsidized accommodation for low income citizens in Ontario. The Ministry of Revenue administers three social services programs, totalling \$391 million, which provide substantial assistance to seniors.

- Guaranteed Annual Income System — \$97 million
- Property Tax Grants — \$250 million
- Sales Tax Grants — \$44 million

A further \$252 million was provided to low income groups in the form of Ontario Tax Credits. The Ministry of Health, through OHIP premium relief and the Drug Benefit Plan, contributed \$583 million. In total, the various forms of assistance to seniors and low income groups amounted to some \$2,350 million.

Resources development policy field

The eight operating ministries in this field are coordinated under the direction of the Resources Development Policy Secretariat. The ministries, collectively, spent some \$3,388 million representing 17.3% of budgetary expenditure. The functions relate to the broad spectrum of resources, including natural resource development, environmental protection, transportation systems and highway networks, agricultural capability, energy issues, industrial development, housing and provincial/municipal relationships.

A Government reorganization amalgamated the municipal affairs and grants support functions from the Ministry of Intergovernmental Affairs with housing related functions into a newly constituted Ministry of Municipal Affairs and Housing.

TRANSPORTATION AND COMMUNICATIONS

The Ministry of Transportation and Communications is the largest ministry in this field with total budgetary expenditure of \$1,323 million. The construction and maintenance of all provincial highways falls within its direct responsibility and substantial road subsidies are paid to subsidize the costs of municipal road programs. The total spending on design, construction and maintenance of provincial roads was \$499 million while \$451 million was directed to local governments for their road building and maintenance programs. As part of the Government's commitment in the field of commuter transportation, the ministry spent \$255 million supporting the GO train and express bus networks serving Metropolitan Toronto as well as subsidizing the cost of municipal public transportation systems.

MUNICIPAL AFFAIRS AND HOUSING

This ministry's most significant expenditure was the \$637 million in unconditional grants to municipalities which included \$35 million that was accelerated to ease the interim financing burden caused by high interest rates. An additional \$45 million paid directly to municipalities, covered community service programs and a variety of urban renewal and downtown revitalization projects.

The other major component of the ministry focuses on the housing needs of the Province. Subsidies paid to the Ontario Housing Corporation for rent-geared-to-income housing exceeded \$142 million, while \$21 million was paid to the Ontario Mortgage Corporation to stimulate the construction of rental accommodation in Ontario.

NATURAL RESOURCES

The overall responsibilities of the Ministry of Natural Resources cover the administration of crown lands which represents 88% of the land mass in Ontario; the protection of fish, wildlife and forestation; mineral management; and the provision of outdoor recreation facilities. The costs of these activities represented some \$310 million.

AGRICULTURE AND FOOD

The year has been a particularly challenging one for the agricultural community. Depressed market prices coupled with significant increases in production costs, particularly financing costs, led to financial difficulties for certain sectors of the Ontario farming industry. Total ministry spending was \$273 million representing a 43% increase over Budget projections. In-year increases to assist the farming community in meeting the difficulties totalled \$80 million, while \$151 million was provided to improve agricultural productivity and to stabilize farm incomes. In addition, a further \$38 million was directed to marketing, agricultural research and crop insurance.

ENVIRONMENT

Environmental issues have become increasingly complex due, in part, to advancing technology and the growing use of chemicals within our society. Some \$49 million was spent on the regulatory and monitoring functions essential to maintain the quality of the environment. The operation of waste disposal and related utility plants combined with payments made directly to municipalities for the construction of sewage, water treatment facilities and trunk sewer systems accounted for \$174 million.

Justice policy field

The overall functions of the four operating ministries in this Policy Field are directed to the protection of the residents of Ontario. The Justice Policy Field Secretariat coordinates the administration of justice, law enforcement, administration of correctional facilities and consumer protection.

SOLICITOR GENERAL

The major program of this ministry is the operation of the Ontario Provincial Police. Some \$168 million was spent in the direct provision of policing services in smaller municipalities and rural areas throughout the Province. A further \$52 million was spent on police training, supervision of municipal police forces in Ontario and intelligence liaison and coordination. The cost of other public safety programs such as forensic science, pathology and coroners' inquests totalled some \$19 million.

ATTORNEY GENERAL

The administration of justice covers a wide range of services including the operation of courts throughout Ontario, contributions to the Legal Aid Fund to ensure that all citizens obtain legal representation regardless of their financial resources and various guardian and trustee services. Courts administration costs were \$108 million while the contribution to the Legal Aid Fund was \$41 million. Guardian and trustee services, coupled with payments by the Criminal Injuries Compensation Board, totalled more than \$12 million. In addition to this, about \$8 million was spent by the Ministry of Government Services relating to the construction of court facilities.

CORRECTIONAL SERVICES

The principal activity of the ministry, at a cost of \$137 million, is to administer

facilities to protect society from criminal offenders and to provide for their rehabilitative care. In addition, a further \$29 million was spent on parole and rehabilitation activities through community service programs.

CONSUMER AND COMMERCIAL RELATIONS

Protection of the public is achieved through the diverse activities of the Ministry of Consumer and Commercial Relations ranging from commercial standards to regulations pertaining to real and personal property. Of the ministry's \$86 million in total expenditure, some \$25 million was paid for this latter function. An additional \$15 million was spent on regulatory activities within the business community to ensure a high standard of business practice.

General government

The ministries in this group are those which primarily provide an administrative or central policy function.

REVENUE

The primary function of the Ministry of Revenue is tax collection, costing \$52 million. In addition, a further \$68 million was spent on direct administration of real property assessment. The ministry also administers certain social

programs relating to the senior citizens in Ontario. The Guaranteed Annual Income System, designed to provide a basic level of income security, and the Property Tax and Sales Tax Grants for pensioners totalled \$391 million and were paid directly to individual recipients. This helped to provide additional basic income support for the approximately 850,000 senior citizens in the Province.

GOVERNMENT SERVICES

The Ministry of Government Services' total expenditure was \$310 million of which \$236 million was spent in providing accommodation services to all ministries and some crown agencies. A number of other common services is also provided, ranging from internal mail distribution, central purchasing and government printing to the provision of computer services. The expenditure by the ministry for these common services approximated \$80 million of which \$15 million was recovered from other ministries.

NORTHERN AFFAIRS

The Government's commitment to the economic development of Northern Ontario is coordinated by the Ministry of Northern Affairs. Some \$68 million was spent on resource, industrial and transportation

development and an additional \$62 million on road construction. A further \$19 million was paid to the Ontario Northland Transportation Commission.

TREASURY AND ECONOMICS

The Board of Industrial Leadership and Development, under the chairmanship of the Treasurer of Ontario, includes cabinet ministers whose portfolios encompass Ontario's economic development and regional interests. The administrative and coordinating support is provided to the Board by a Secretariat with access to expertise across the Government. Six major strategic themes have been identified as having priority for government action: people; natural resources; electricity; transportation; communities; and technology.

The pursuit of these objectives requires a high level of interaction with the private sector, other governments and program ministries involved in these key areas. Nearly \$143 million was expended on these initiatives in the first full year of operation. A portion of this money was paid to ministries to undertake specific projects. The remainder was paid directly to companies in the private sector in a combination of grants, loans and investments reflected in the table below.

**Board of Industrial Leadership and Development
Expenditures to March 31, 1982**

Priority Areas	Direct Spending \$000's	Loans & Investments \$000's	Total \$000's
People	18,185		18,185
Resources	23,075	2,390	25,465
Electricity	21,457		21,457
Transportation	26,621		26,621
Community	2,366	104	2,470
Technology	2,315	18,730	21,045
Employment			
Development Fund	20,404	6,962	27,366
	<u>114,423</u>	<u>28,186</u>	<u>142,609</u>

Major components of budgetary expenditure

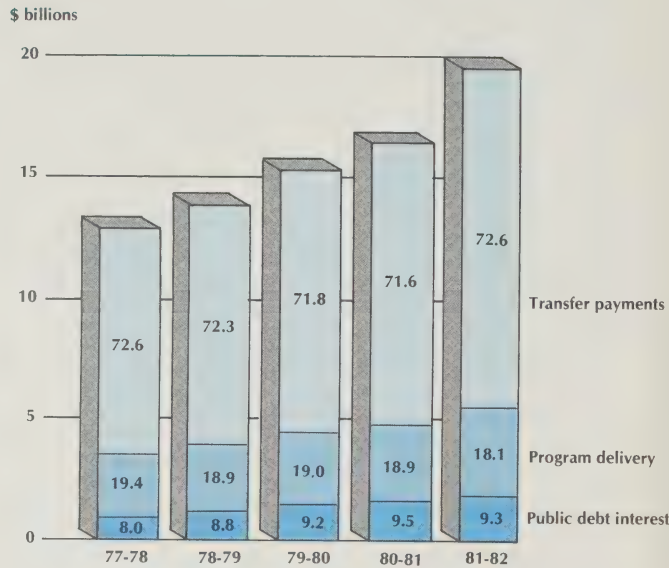
Transfer payments approximate 73% of total budgetary expenditure. The remaining portion is made up of interest costs and the administrative expenses necessary for the delivery of the Government programs. The table presented below summarizes the percentage distribution of expenditure.

Transfer payments		
• Health	26.3%	
• Education	23.4	
• Social services	9.3	
• Local government	8.9	
• Other	4.7	72.6%
Program delivery		
• Salaries and employee benefits	10.8%	
• Other	7.3	18.1
Interest costs		9.3
Total budgetary expenditure		100.0%

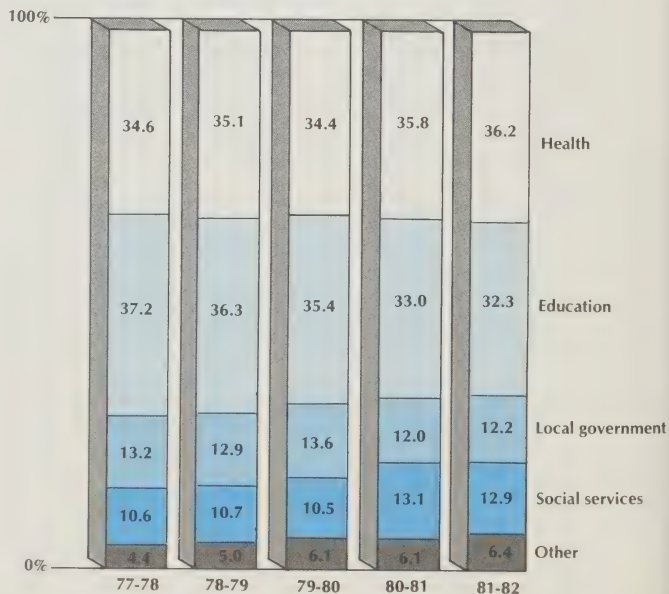
The graphs opposite illustrate the five year trend of the major components of budgetary expenditure. Graph 1 provides an overview of the spending allocation for the three major components and reveals the overall growth in budgetary expenditure since 1977-78. The program delivery costs component has steadily declined attesting to the success of the Government's restraint program. Graph 2 focuses on the transfer payments component, segregated in five broad categories, and highlights the emphasis of this important component during the five year period.

The Government's commitment to control discretionary expenditure, while meeting the needs of Ontario's population, continues. Spending on the Province's program delivery was 18% of total budgetary expenditure. Costs for salaries and employee benefits totalled \$2,113

Graph 1: Major components of budgetary expenditure (as a % of budgetary expenditure)



Graph 2: Transfer payments by functional objective (as a % of total payments)

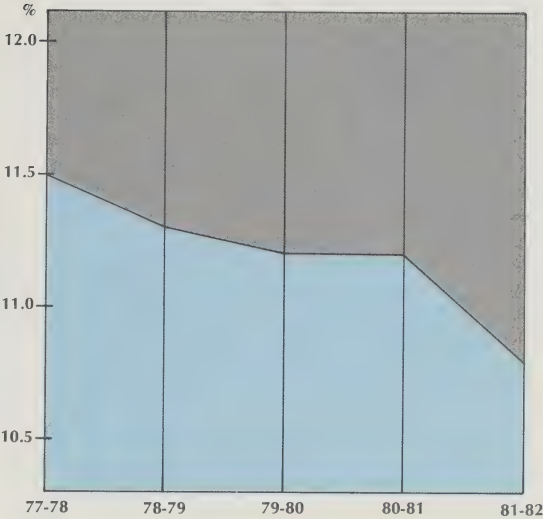


million, an increase of 11% over 1981 which was less than the rate of inflation. In spite of the scope, diversity and complexity of the issues facing Ontario, reflecting the general economic situation and the inflationary pressures, the program delivery costs have been effectively controlled. Graph 3, shows salaries and employee benefits as distinct from other program delivery costs to further demonstrate the effectiveness of the Government's control of the discretionary expenditure element.

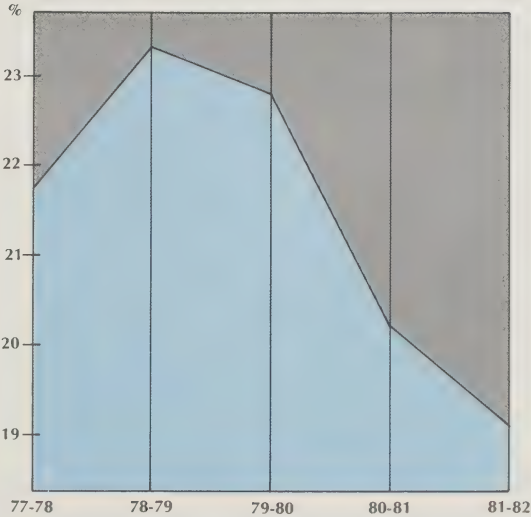
Interest costs associated with the public debt increased 15% to some \$1,832 million due to increased borrowing requirements financed at higher rates of interest.

Health related expenditures include transfer payments and program delivery costs. The major portion of these expenditures relates to the Ministry of Health, however a number of other ministries also provide health services to the people of Ontario. Most of the total health related expenditures are funded from general revenue with the revenue from the Ontario Health Insurance Plan premiums funding only 19%. The decline in the percentage relationship of premium revenues to health expenditures during the last five years is presented in Graph 4.

Graph 3: Salaries and benefits as a % of budgetary expenditure



Graph 4: Premium revenues as a % of Ontario health costs



Non-budgetary transactions

Non-budgetary transactions are those relating to the Province's lending, investment and trust administration functions. The total net activity was an inflow to the Consolidated Revenue Fund of approximately \$264 million.

Lending and investment activity

Traditionally, the largest proportion of disbursements has been to various crown agencies and municipalities. In total, new loans amounted to \$544 million of which some \$36 million went to the Ontario Development Corporations to assist various industries in Ontario. Loans of \$32 million were made to municipalities and a further \$100 million was invested in the construction of water treatment and waste control facilities. This investment was a reduction of 19% from the previous year's \$124 million, which is in keeping with the Government's decision to phase out the capital investment program and implement a system of grants for future capital replacement and maintenance costs. Tile drainage loans of \$28 million were also made to municipalities, at a subsidized rate of interest, reflecting the Province's commitment to the improvement of agricultural lands.

In support of a new phase in the activities of the Ontario Energy Corporation, representing a Government commitment to contribute to crude oil self-sufficiency for Canada and providing Ontario with a strong voice in the determination of energy policy, the Province advanced \$325 million to the Corporation. The advance was used by the Ontario Energy Resources Ltd., a wholly owned subsidiary of the Ontario Energy Corpora-

tion to finance one-half of the \$650 million cost of a 25% equity interest in Suncor Inc. The remainder of the purchase price has been financed over the next 10 years.

Repayments of loans and investments was \$342 million. Some \$101 million was recovered from the Province's investment in water and sewage treatment facilities, \$35 million of which resulted from a recognition of provincial assistance, as negotiations were being finalized with certain municipalities to assume ownership of facilities from the Province. Repayments from the Ontario Development Corporations totalled \$31 million. The Ontario Land Corporation repayments of \$13 million were less than projected due to a decline in the volume of land sales reflecting poor market conditions.

Trust administration

The Province's function as a trustee for a variety of special funds and deposit accounts yielded an increased net cash inflow to the Consolidated Revenue Fund over the previous year. This function encompasses pension funds, deposits in the Province of Ontario Savings Office and other deposit, trust and reserve accounts.

Pension funds

The Public Service Superannuation Fund is the basic pension plan for the Province's employees. Payments into the Fund consist of employees' and employer's matching contributions, interest earned by the Fund and payments by the Province to amortize actuarial deficits. Payments from the Fund were some \$101 million for pension benefits

and refunds of contributions with interest thereon. Higher interest earnings and the unfunded liability payments contributed to the net increase of \$315 million in the balance of the Fund.

The Superannuation Adjustment Fund is designed to supplement pensions to partially offset the effects of inflation on retired employees, mainly civil servants and teachers covered by the Public Service Superannuation Fund and the Teachers' Superannuation Fund respectively. Employees and the employer make matching contributions into the Fund and the balance earns interest at market related rates. The net inflow of contributions and interest earned was \$131 million more than the payments made.

Province of Ontario Savings Office

The 21 branches of the Savings Office in Ontario accept interest bearing deposits from the general public and provide chequing privileges. All deposits are fully guaranteed by the Province. The funds, surplus to the day-to-day operating needs, are deposited with the Treasurer of Ontario; the current balance on deposit totals some \$654 million.

Other deposit, trust and reserve accounts

The composition of this category of accounts is wide ranging and includes the Provincial Lottery, Super Loto, the Motor Vehicle Accident Claims Fund and various security deposits and trust accounts. The total balance of this category was \$134 million; a reduction from the previous year of \$13 million.

Funded debt

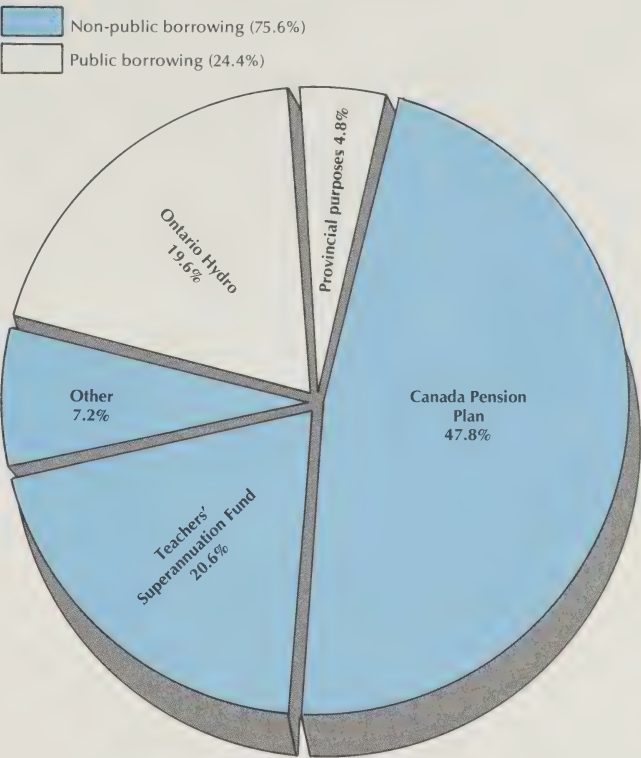
Ontario's funded debt is defined to include those obligations that have a specified term to maturity and are secured by debt instruments including bonds, debentures, notes and treasury bills. Virtually all of the total outstanding funded debt on March 31, 1982 was in the form of long-term debentures.

The Province continued to meet all of its own long-term financial requirements from non-public sources. During the year \$1,269 million was borrowed from the Canada Pension Plan (CPP) which represented 65% of the total borrowed from non-public sources. This particular source comprises the net payments into the CPP by the contributors in Ontario and is loaned to the Province at rates of interest based on Government of Canada long-term borrowing rates. These loans have a term of 20 years but are callable on six months notice under certain conditions.

The other major non-public source of funds was the Teachers' Superannuation Commission. The Commission manages the pension plan of the teachers in Ontario and all surplus funds are invested in provincial securities at an interest rate equivalent to the Province's long-term public market borrowing costs during the previous year. The Teachers' Superannuation Commission invested \$670 million during the year raising its total investment in Ontario to some \$4,762 million.

Another non-public source of funds available to the Province until December 31, 1978, was the Ontario Municipal Employees Retirement System (OMERS). OMERS provides a pension plan for employees in the local govern-

Major components of funded debt



ment sector and, since January 1979, has invested its excess revenue in the private sector. The outstanding funded debt was \$1,293 million at March 31, 1982.

In the last six years, the public markets have been used only to raise monies for Ontario Hydro, and for the Province's temporary 91 day treasury bill program which was discontinued in 1979-80.

The Province borrowed \$950 million in the United States markets during the year on behalf of Ontario Hydro. When Ontario borrows on behalf of Ontario Hydro in the United States, the total

proceeds flow to Ontario Hydro secured by bonds with the same terms and conditions as the securities issued by the Province. The total outstanding funded debt borrowed in the United States for Ontario Hydro is now \$4,530 million. In contrast, the publicly held funded debt still outstanding that was borrowed for provincial purposes was only \$1,102 million. For the second consecutive year the Province has transferred \$500 million of its borrowings from CPP to Ontario Hydro on the same terms and conditions that were applied to the Province. This assistance has allowed Ontario Hydro to

reduce its borrowings in the public markets over the past two years by \$1,000 million.

Funded debt characteristics

Ontario's direct and guaranteed debt consists almost exclusively of obligations issued by the Province and for Ontario Hydro guaranteed by the Province. Ontario Hydro is effectively the sole user of the Ontario guarantee in capital markets and 40% of Ontario's direct and guaranteed funded debt is accounted for by them.

Outstanding securities issued in the public markets now total 24% of all funded debt and, of this, 80% relates

to issues on behalf of Ontario Hydro. Only \$1,102 million that was publicly issued for the Province's own purposes remain outstanding and the average term to maturity is 8.4 years. Ontario's "own-purpose" debt is almost entirely denominated in Canadian dollars with \$44 million, or 0.2%, denominated in foreign currencies (i.e. United States dollars and German deutsche marks). As a result, the Province's debt structure and debt servicing costs, are well protected against the effects of volatile exchange rates. The tables below provide additional statistical data.

Central financing policy

One characteristic of government financing in the Province is the extent to which its own financial strength has been used to fund the local government sector and its own agencies. It has also strictly controlled the use of the provincial guarantee almost exclusively to borrowings undertaken by Ontario Hydro.

The centralized financing policy and the restricted use of the provincial guarantee, have resulted in 85% of the total

Selected funded debt statistics as at March 31, 1982

	As a percentage of total	Average term to maturity	Average cost* to the Province	Average annual rate of growth March 31, 1978- March 31, 1982
	(%)	(years)	(%)	(%)
Publicly held				
Provincial purposes	4.8	8.4	7.6	-10.9
Ontario Hydro purposes	19.6	21.5	10.3	9.7
Total publicly held debt	24.4	18.9	9.8	3.6
Non-public				
Canada Pension Plan	47.8	13.1	11.7	9.9
Teachers' Superannuation Fund	20.6	16.7	9.6	17.4
Other	7.2	18.6	9.0	4.1
Total non-public debt	75.6	14.9	9.8	12.8
Total funded debt	100.0	15.9	9.6	10.3

* Includes transactions costs.

Ontario public sector debt being accounted for as either direct or contingent liabilities of the Province. This policy, combined with significant transfer payment programs, has substantially reduced the use of the financial capital markets by municipalities, universities, colleges, hospitals, school boards and provincial quasi-commercial agencies.

In recent years only Ontario Hydro and a few large municipalities have issued funded debt to the public. Ontario Hydro's public borrowings guaranteed by the Province account for over 94% of the reported contingent liabilities. Local government borrowings are not provincially guaranteed, but there are restrictions in borrowing activities by the limitation of debt ceilings set

by the Ontario Municipal Board.

The Province therefore, by using its broader revenue base to borrow on behalf of its agencies, by strictly controlling the use of its guarantee, and by the surveillance of the Ontario Municipal Board is in strategic control of the debt raising activities in the Ontario public sector.

Funded debt of the Ontario public sector (\$ millions)

	Estimated at March 31, 1982			March 31, 1981	
	Gross debt	Debt issued to the Province or its agencies	Consolidated debt	%	Consolidated debt
Province of Ontario					
Direct	23,122		23,122	61.2	20,405
Guaranteed*	9,124		9,124	24.2	8,719
Provincial boards, commissions and corporations	1,839		1,839	4.9	1,517
Local governments	5,144	1,625	3,519	9.3	3,356
Universities and colleges	1,273	1,162	111	0.3	94
Hospitals and associated operations	234	181	53	0.1	50
	<u>40,736</u>	<u>2,968</u>	<u>37,768</u>	<u>100.0</u>	<u>34,141</u>

* Excludes bank loans.

Selected financial and economic statistics

(\$ millions)

March 31	1978	1979	1980	1981	1982
Consolidated revenue fund inflows					
Budgetary revenue	11,099	12,322	14,214	15,549	17,884
Non-budgetary receipts and credits	683	911	1,032	921	1,002
Consolidated revenue fund outflows					
Budgetary expenditure	12,920	13,913	15,346	16,836	19,651
Non-budgetary disbursements and charges	624	500	484	437	738
Net cash requirements	1,762	1,180	584	803	1,503
Provincial debt transactions (net)	1,506	1,652	1,133	968	1,363
Ontario Hydro debt transactions (net)	392	667	214	408	1,340
Liabilities					
Debentures, notes and treasury bills					
Provincial purposes	12,365	14,038	15,196	16,215	17,592
On behalf of Ontario Hydro	2,901	3,568	3,782	4,190	5,530
Other	2,115	2,463	2,946	3,333	3,784
Total liabilities	17,381	20,069	21,924	23,738	26,906
Contingent liabilities					
Funded debt (debentures, bonds and notes)	6,124	6,644	7,514	8,155	8,458
Total contingent liabilities	6,212	6,734	7,601	8,257	8,966
Ontario public sector funded debt¹	26,214	29,181	31,405	34,141	37,768
Gross provincial product at market prices²	81,492	89,112	100,168	109,574	123,716
Gross provincial product in constant (1971) prices²	47,517	48,855	49,761	49,206	50,496
Personal income (Ontario)²	67,164	74,178	81,840	91,002	105,606
Personal income (Ontario) per capita (June 1 population) (in dollars)	8,039	8,785	9,623	10,614	12,244
Net cash requirements/GPP (%)	2.2	1.3	0.6	0.7	1.3
Funded debt — provincial purposes/GPP (%)	15.2	15.8	15.3	14.8	14.2
Ontario public sector funded debt/GPP (%)	31.9	32.5	31.0	30.6	30.0

¹ Ontario public sector funded debt is the funded debt of the Province and all provincial agencies, boards and commissions including local governments net of intra-sector borrowing.

² Gross provincial product and personal income are calculated on a calendar year basis. The amounts appearing in a fiscal year column are for the preceding calendar year.

**Financial
statements
1982**

Summary of significant accounting policies

The accounting basis

The following financial statements, prepared using the concept of a Consolidated Revenue Fund, have been designed primarily to provide an accounting of the financial resources appropriated by the Ontario Legislature. The fundamental requirement to report compliance with legislative authority results in a presentation of financial information in a manner significantly different from that used in the private sector. The accrual basis of accounting used in the private sector best reflects the costs incurred to earn revenues; the policies and practices followed by the Province under which the financial transactions of government ministries are recorded and displayed as Consolidated Revenue Fund cash inflows and outflows best accommodates reporting to the Legislature.

The cash basis of accounting used by the Province is modified to allow for an additional thirty days to pay for goods and services pertaining to the fiscal year just ended. In this regard, payments to employees for the pay period which overlaps the fiscal year end date are apportioned between the two years. Cash inflows, on the other hand, are closed at March 31 for cash received or in transit. With respect to provincial crown corporations, agencies, boards and commissions, the financial statements of the Consolidated Revenue Fund reflect only the extent to which their operations have been financed or have contributed to the Fund for the year.

Classification of transactions

The transactions of the Province of Ontario are presented in summary form according to the four distinct areas of government activity through the Consolidated Revenue Fund.

“Budgetary Transactions” are operational activities which include the revenues raised through taxation, premiums, fees, licences and permits, payments from the federal government under fiscal arrangements and shared-cost programs and income from investments. Expenditures on government programs include payments for goods and services, interest on the public debt, salaries, transfer payments to individuals, municipalities and institutions, subsidies and grants, and the acquisition or creation of fixed assets.

“Non-Budgetary Transactions” are the lending, investment and trust administration functions which include, as distinct from expenditure, the government lending and investment activity in various crown corporations, agencies and municipalities. All of these loans and advances are repayable or represent equity holdings supported by the assets of the corporations. Also included in this category is the activity within deposit, trust and certain special purpose accounts. “Disbursements” is the term used to describe the lending and investment transactions of the government. “Receipts” consist of the repayment of loans or recovery of investments. “Credits” is the term used to describe payments into deposit, trust and special purpose accounts. Payments made from these same accounts are termed “Charges”.

“Debt Transactions” are the borrowing and repayment transactions which include obligations issued to both non-public and public sources of funds.

“Ontario Hydro Transactions” relate to amounts borrowed by the Province on behalf of Ontario Hydro. The Province issues securities and advances the proceeds to Ontario Hydro in exchange for bonds with the same terms and conditions. Since these transactions and the ensuing retirement and debt servicing costs are the result of a financing alternative and are not a part of the Province’s own budget plan, they are classified separately.

Assets and liabilities

The assets and liabilities reported in the financial statements are financial claims which have been created by cash transactions. The recorded assets are claims by the Consolidated Revenue Fund on other parties. As indicated in the Notes to the financial statements, under current government policy, the funds required to repay some of the advances and loans included in the recorded assets are effectively provided out of future provincial expenditure appropriations. The liabilities are claims by other parties on the Consolidated Revenue Fund. Since expenditures on fixed assets do not represent financial claims on other parties and are not considered to differ from any other service to the public, they are not reported as assets but are expensed as budgetary items in the year of acquisition.

Debentures, notes and treasury bills are recorded as liabilities at the face value of the debt instrument, and discount, premium and commission expenses are treated as current year budgetary transactions. The general resources of the Province are used for the continued orderly retirement of debt and no sinking funds are maintained for this purpose.

The contingent liabilities of the Province consist of guarantees by the Treasurer of Ontario of debt instruments issued by provincial agencies, boards and commissions and bank loans under certain government programs. Other significant commitments and liabilities are disclosed in the Notes to the financial statements.

The net debt of the Province is the excess of liabilities over recorded assets. It is also the accumulation of all budgetary deficits and surpluses since Confederation. The year-to-year change in net debt is the amount by which budgetary revenues exceed or are less than budgetary expenditures.

Statement of consolidated revenue fund

for the year ended March 31, 1982 (\$ millions)

	Budget 1982	Actual 1982	Actual 1981
Opening balance			
Cash and temporary investments		<u>1,734</u>	<u>1,569</u>
Budgetary transactions			
Revenue	17,458	<u>17,884</u>	15,549
Expenditure	<u>18,980</u>	<u>19,651</u>	<u>16,836</u>
Budgetary deficit	(1,522)	<u>(1,767)</u>	(1,287)
Non-budgetary transactions			
Loans, advances and investments			
Receipts	290	<u>342</u>	310
Disbursements	<u>226</u>	<u>544</u>	<u>264</u>
Net (increase) decrease in loans, advances and investments	<u>64</u>	<u>(202)</u>	<u>46</u>
Trust administration functions			
Credits	655	<u>660</u>	611
Charges	<u>194</u>	<u>194</u>	<u>173</u>
Net increase in trust administration functions	<u>461</u>	<u>466</u>	<u>438</u>
Non-budgetary transactions (net)	<u>525</u>	<u>264</u>	<u>484</u>
Net cash requirements	<u>(997)</u>	<u>(1,503)</u>	<u>(803)</u>
Debt transactions			
Proceeds of loans	1,260	<u>1,439</u>	1,137
Retirements of loans	<u>73</u>	<u>76</u>	<u>169</u>
Debt transactions (net)	<u>1,187</u>	<u>1,363</u>	<u>968</u>
Ontario Hydro transactions			
Proceeds of debentures		<u>1,450</u>	500
Retirements of debentures		<u>110</u>	<u>92</u>
		<u>1,340</u>	<u>408</u>
Related advances, interest and recoveries		<u>(1,340)</u>	<u>(408)</u>
Ontario Hydro transactions (net)		<u>—</u>	<u>—</u>
Closing balance			
Cash and temporary investments		<u>1,594</u>	<u>1,734</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of budgetary revenue

for the year ended March 31, 1982 (\$ millions)

	Budget 1982	Actual 1982	Actual 1981
Taxation			
Personal income tax	4,380	4,928	3,578
Retail sales tax	2,831	2,853	2,562
Corporations tax	1,962	1,769	1,792
Gasoline tax	752	759	618
Tobacco tax	343	345	284
Motor vehicle fuel tax	153	172	133
Land transfer tax	110	129	101
Race tracks tax	60	59	55
Mining profits tax	140	56	161
Succession duty	5	9	25
Public utilities income tax	34	8	75
Federal government income tax revenue guarantees	—	—	10
Other	3	1	3
	<u>10,773</u>	<u>11,088</u>	<u>9,397</u>
Other revenue			
Premiums — Ontario Health Insurance Plan	1,194	1,179	1,061
Profits from crown corporations and boards			
Liquor Control Board of Ontario	483	502	433
Ontario Lottery Corporation	122	137	116
Vehicle registration fees	340	296	312
Liquor Licence Board of Ontario revenues	138	170	126
Other fees and licences	186	179	159
Fines and penalties	77	76	73
Utility service charges	60	73	62
Royalties	78	67	74
Sales and rentals	64	64	63
Other	105	122	108
	<u>2,847</u>	<u>2,865</u>	<u>2,587</u>
Government of Canada			
Established Programs Financing			
Cash Contribution	2,147	2,044	1,934
Extended Health Care Services	256	257	230
Canada Assistance Plan	582	630	548
Adult Occupational Training Agreement	115	124	114
Other	254	253	199
	<u>3,354</u>	<u>3,308</u>	<u>3,025</u>
Interest on loans, advances and investments	<u>484</u>	<u>623</u>	<u>540</u>
Total budgetary revenue	<u>17,458</u>	<u>17,884</u>	<u>15,549</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of budgetary expenditure

for the year ended March 31, 1982 (\$ millions)

	Budget 1982	Actual 1982	Actual 1981
Social development policy field			
Health	5,531	5,776	4,860
Education	2,973	3,045	2,604
Community and Social Services	1,653	1,770	1,527
Colleges and Universities	1,672	1,670	1,542
Culture and Recreation	203	227	203
Social Development Policy	4	4	3
	<u>12,036</u>	<u>12,492</u>	<u>10,739</u>
Resources development policy field			
Transportation and Communications	1,254	1,323	1,212
Municipal Affairs and Housing	939	995	705
Natural Resources	322	363	349
Agriculture and Food	191	273	180
Environment	202	242	182
Industry and Tourism	87	89	81
Labour	56	59	51
Energy	44	41	26
Resources Development Policy	3	3	2
	<u>3,098</u>	<u>3,388</u>	<u>2,788</u>
Justice policy field			
Solicitor General	225	248	211
Attorney General	184	206	182
Correctional Services	163	174	156
Consumer and Commercial Relations	80	86	73
Justice Policy	1	1	1
	<u>653</u>	<u>715</u>	<u>623</u>
General government			
Revenue	522	537	488
Government Services	294	310	285
Northern Affairs	156	169	156
Treasury and Economics	158	144	102
Office of The Assembly	28	35	35
Intergovernmental Affairs	4	5	4
Other	23	24	21
	<u>1,185</u>	<u>1,224</u>	<u>1,091</u>
Public debt — interest	1,823	1,832	1,595
Contingency fund (note 10)	185	—	—
Total budgetary expenditure	<u><u>18,980</u></u>	<u><u>19,651</u></u>	<u><u>16,836</u></u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of non-budgetary transactions

for the year ended March 31, 1982 (\$ millions)

	Budget 1982	Actual 1982	Actual 1981
Loans, advances and investments			
RECEIPTS			
Corporations, boards and commissions			
The Ontario Education Capital Aid Corporation	82	82	78
The Ontario Universities Capital Aid Corporation	31	31	30
Development Corporations	22	31	20
Ontario Mortgage Corporation	18	19	17
Ontario Land Corporation	18	13	19
The Crop Insurance Commission of Ontario ...	1	5	11
Ontario Housing Corporation	1	4	12
Other	6	8	8
Water treatment and waste control facilities	65	101	70
Loans to municipalities	27	30	26
Other loans and investments	19	18	19
	<u>290</u>	<u>342</u>	<u>310</u>
DISBURSEMENTS			
Corporations, boards and commissions			
Ontario Energy Corporation	—	325	—
Development Corporations	35	36	44
BILD	15	28	—
Ontario Land Corporation	14	15	20
Ontario Housing Corporation	3	4	7
Urban Transportation Development Corporation Ltd.....	—	—	31
Other	4	4	4
Water treatment and waste control facilities	126	100	124
Loans to municipalities	28	32	33
Other loans and investments	1	—	1
	<u>226</u>	<u>544</u>	<u>264</u>
Net (increase) decrease in loans, advances and investments	<u>64</u>	<u>(202)</u>	<u>46</u>
Trust administration functions			
CREDITS			
Pension funds	411	418	363
Deposit, trust and reserve accounts	204	211	185
The Province of Ontario Savings Office			
Deposits — net increase	40	31	63
	<u>655</u>	<u>660</u>	<u>611</u>
CHARGES			
Pension funds	105	101	89
Deposit, trust and reserve accounts	89	93	84
	<u>194</u>	<u>194</u>	<u>173</u>
Net increase in trust administration functions	<u>461</u>	<u>466</u>	<u>438</u>
Total non-budgetary transactions	<u>525</u>	<u>264</u>	<u>484</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

for the year ended March 31, 1982 (\$ millions)

Proceeds of loans

Total retirements of loans

for the year ended March 31, 1982 (\$ millions)

Proceeds of debentures (public)

25

Statement of assets and liabilities

as at March 31, 1982 (\$ millions)

Assets

	1982	1981
Cash and temporary investments (note 1)	1,594	1,734
Advances to Ontario Hydro, secured by bonds (note 2)	5,530	4,190
Advances and investments — other corporations, boards and commissions (note 3)	4,349	4,131
Investments in water treatment and waste control facilities (at cost less recoveries) (note 4)	1,115	1,116
Loans to municipalities	369	367
Other loans and investments (note 5)	194	212
Total recorded assets	13,151	11,750
Net debt	13,755	11,988
	<u>26,906</u>	<u>23,738</u>

Liabilities

Deposits with The Province of Ontario Savings Office	654	623
Pension funds (note 6)	2,407	2,090
Deposit, trust and reserve accounts	723	605
Advances payable	—	15
Debentures and notes (note 7)	23,122	20,405
	<u>26,906</u>	<u>23,738</u>
Contingent liabilities (note 8)	8,966	8,257

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Approved on behalf of the Ministry of Treasury and Economics:



T. CAMPBELL, Deputy Treasurer of Ontario and Deputy Minister of Economics



G. McINTYRE, F.C.A., Assistant Deputy Minister, Office of the Treasury

Notes to the financial statements

(all figures in millions of dollars)

1. Cash and temporary investments

Temporary investments are recorded at cost and are predominantly short-term securities issued or guaranteed by Canadian chartered banks. Also included are debentures and bonds issued or guaranteed by the Province which, at March 31, 1982, had a cost value of \$53 million (1981 \$60 million) and a market value of \$40 million (1981 \$48 million).

2. Advances to Ontario Hydro

The Province, in addition to guaranteeing Ontario Hydro debt obligations, has issued \$4,530 million (1981 \$3,690 million) of U.S. dollar debentures on behalf of Ontario Hydro which have been recorded at par. At March 31, 1982 the Canadian dollar equivalent was \$5,573 million (1981 \$4,380 million). The Province has also borrowed \$1,000 million (1981 \$500 million) for Ontario Hydro from the Canada Pension Plan in Canadian funds. The proceeds of all such borrowings have been advanced to Ontario Hydro in exchange for bonds with the same terms and conditions as the securities of the Province.

3. Advances and investments — other corporations, boards and commissions

	1982	1981
The Ontario Education Capital Aid Corporation	\$1,114	\$1,196
The Ontario Universities Capital Aid Corporation	1,113	1,144
Ontario Mortgage Corporation	549	568
Ontario Land Corporation	519	517
Ontario Energy Corporation	341	16
Development Corporations	272	240
Ontario Housing Corporation	190	190
Other	251	260
	<u>\$4,349</u>	<u>\$4,131</u>

The Ontario Education Capital Aid Corporation had received advances from the Province until March 31, 1980 to purchase bonds or debentures issued by school boards for capital expansion programs. The securities held by the Corporation are the obligations of the individual school boards. However, under current support arrangements for local school boards, an average of 75% of approved debt charges are subject to provincial grants. Effective April 1, 1980 the loan program was replaced by grants to school boards from the Ministry of Education. The Corporation will continue to administer the repayment of the outstanding loans.

The Ontario Universities Capital Aid Corporation had received advances from the Province until March 31, 1978, to purchase bonds or debentures issued by provincial universities, colleges, the Art Gallery of Ontario, the Royal Ontario Museum and municipalities on behalf of public libraries, for approved capital construction projects. The securities held by the Corporation are the obligations of the issuing institutions. Effective April 1, 1978 the loan program was replaced by grants from the Province to the institutions. Included in these grants was an amount of \$112 million (1981 \$114 million) from the Province to cover the amounts of principal and interest due to the Corporation from institutions other than municipalities on behalf of public libraries. The Corporation will continue to administer the repayment of the outstanding loans.

The Ontario Mortgage Corporation has used advances from the Province to provide primary and secondary mortgage financing for eligible persons. No new loans have been made since 1979.

The Ontario Land Corporation was established to assemble land for new communities and industrial parks. In 1978 the Corporation's objects were broadened to include land development. The Province charges no interest on advances being used to finance land holdings. At March 31, 1982 these advances were \$402 million (1981 \$399 million).

The Ontario Energy Corporation was established to invest and participate in energy related projects. The Province has made loans to and investments in the Corporation totalling \$341 million, including in 1981 a \$325 million non-interest bearing demand loan to finance the purchase of one-half of approximately 25% of the common shares of Suncor Inc. by Ontario Energy Resources Limited, a wholly owned subsidiary of the Ontario Energy Corporation.

The Ontario Development Corporation and the associated Eastern Ontario Development Corporation and Northern Ontario Development Corporation provide loans and arrange for provincial guarantees of bank loans to qualified enterprises. The Province has purchased an equity of \$7 million and has advanced all funding for the lending programs of the Corporations. Through its budgetary expenditures, the Province also transfers to the Corporations an amount to defray the costs of all administrative expenses, loans made at low interest rates, certain loan forgiveness, honouring guarantees, and writing off loans and losses. In 1982 these transfers amounted to \$31 million (1981 \$24 million).

The Ontario Housing Corporation plans, constructs and manages residential housing projects. Financing is provided by the Province and the Canada Mortgage and Housing Corporation. Assisted housing and rent supplement operations are subsidized under a cost-sharing arrangement with the Canada Mortgage and Housing Corporation. The Province's share of the subsidy for the calendar year 1981 was \$138 million (1980 \$121 million).

4. Investments in water treatment and waste control facilities

The Ministry of the Environment lets extensive contracts for the building of water and sewage systems to serve municipalities. These investments are being recovered over the life of the agreement with the municipalities. Agreements covering \$1,024 million of the investment are for provincially-owned projects which are subject to service rate billings. The proceeds from billings are used to amortize the investment over periods up to forty years, to pay for operating costs and to provide a return on the investment. Certain other agreements provide for the accumulation of the principal portion of annual amortization payments in a sinking fund. The accumulated balance in such funds (included in deposit, trust and reserve accounts) was \$46 million at March 31, 1982 (1981 \$44 million). Since 1978-79, the Province has changed its policy and is phasing out investments in favour of assisting municipalities by direct grants.

5. Other loans and investments

Included in other loans and investments are Ministry of Health capital construction loans to public hospitals amounting to \$181 million (1981 \$198 million). During the current fiscal year, the Province made grants of \$16 million (1981 \$18 million) to assist public hospitals in meeting principal and interest payments. No new loans have been made since 1978 when the Ministry changed its public hospitals capital financial support program from loans to grants.

6. Pension funds

	1982	1981
Public Service Superannuation Fund	\$2,387	\$2,072
Legislative Assembly Retirement Allowances Account	20	18
	<u>\$2,407</u>	<u>\$2,090</u>

The Province maintains accounts within the Consolidated Revenue Fund for all contributions and interest earnings less pension payments for both the Public Service Superannuation Fund and Legislative Assembly Retirement Allowances Account. The amounts recorded by the Province are essentially the sole assets of these pension plans.

Based on the latest actuarial report as at December 31, 1979, the Public Service Superannuation Fund had unfunded liabilities as follows:

1. An initial unfunded liability of \$83 million, upon which an interest contribution of \$7 million is required to be credited annually in accordance with the Pension Benefits Act.
2. Residual unfunded liabilities of \$233.5 million which are required to be amortized by annual payments of \$33 million until January 1, 1990 and \$32 million on January 1, 1991 and 1992.

As at March 31, 1982, the Province had made all scheduled payments.

An actuarial review of the Legislative Assembly Retirement Allowances Account as at March 31, 1982 revealed a deficit of \$702 thousand.

7. Debentures and notes

Years of Maturity March 31	1982 Payable in				1981
	Canadian Dollars	United States Dollars	Deutsche Marks	Total	Total
1982	\$	\$	\$	\$	\$
1983	122	125	7	254	109
1984	106	82	7	195	254
1985	103		3	106	195
1986	212	99	3	314	106
1987	343		3	346	316
1-5 years	886	306	23	1,215	980
6-10 years	2,635	444	3	3,082	2,522
11-15 years	5,040	29		5,069	4,478
16-20 years	8,044	512		8,556	7,906
21-25 years	1,775	1,286		3,061	2,491
26-30 years	58	1,971		2,029	1,912
31-35 years	73			73	69
36-40 years	37			37	47
	<u>\$18,548</u>	<u>\$4,548</u>	<u>\$26</u>	<u>\$23,122</u>	<u>\$20,405</u>

The U.S. dollar debenture liability of \$4,548 million (1981 \$3,709 million) is recorded at par with the Canadian dollar and with the exception of \$17.6 million (1981 \$18.1 million), has been incurred on behalf of Ontario Hydro. At March 31, 1982 the Canadian dollar equivalent was \$5,595 million (1981 \$4,401 million). As explained in note 2, the Province holds an asset of U.S. dollar bonds of Ontario Hydro recorded at a par value of \$4,530 million (1981 \$3,690 million). These bonds have the same terms and conditions as the securities of the Province, with a Canadian dollar equivalent as at March 31, 1982 of \$5,573 million (1981 \$4,380 million).

The Province has borrowings of 89.2 million (1981 114 million) Deutsche Marks recorded at \$26 million (1981 \$33 million), the Canadian dollar equivalent at the time of issue. At March 31, 1982 the Canadian dollar equivalent was \$45.4 million (1981 \$65 million).

8. Contingent liabilities

The Province is guarantor of certain obligations as follows:

	1982	1981
Debentures, bonds and notes		
Ontario Hydro	\$8,453	\$8,150
Other Provincial crown agencies	5	5
	<u>8,458</u>	<u>8,155</u>
Bank loans guaranteed		
Provincial crown agencies	2	3
Corporations and individuals through various government programs	128	99
	<u>130</u>	<u>102</u>
Other guarantees		
Corporations	378	—
	<u>\$8,966</u>	<u>\$8,257</u>

9. Teachers' Superannuation Fund

Through the budgetary expenditures of the Ministry of Education the Province makes annual contributions to the Teachers' Superannuation Fund (which is administered by the Teachers' Superannuation Commission) equal in amount to contributions by members. Further, the Province is committed to paying any deficiency in the Fund.

Based on the latest actuarial report as at December 31, 1978, the Teachers' Superannuation Fund had unfunded liabilities as follows:

1. An initial unfunded liability of \$328 million upon which an interest contribution of \$23 million is required to be credited annually in accordance with the Pension Benefits Act.
2. Residual unfunded liabilities of \$768 million which are required to be amortized by annual payments of \$97 million until December 31, 1989 and \$94 million on December 31, 1990.

As at March 31, 1982 the Province had made all scheduled payments.

10. Budget figures

The comparative budget figures in the financial statements are from the 1981 Ontario Budget which was presented by the Treasurer of Ontario to the Legislative Assembly on May 19, 1981.

The Contingency Fund budget figure in the Statement of Budgetary Expenditure is a provision for the cost of salary and employee benefit revisions likely to be approved in the fiscal year. These revisions, when paid however, are charged to each ministry's appropriations.

11. Comparative figures

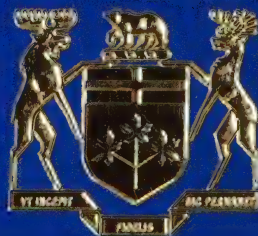
The 1981 comparative figures have been reclassified where necessary to conform with the 1982 financial statement presentation.

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Province of Ontario

Financial report
1983



Province of Ontario

Financial report
1983





Treasurer's statement

It is my pleasure to present the 1983 Financial Report of the Province of Ontario. The Report highlights the major aspects of Ontario's finances under the direction of my predecessor, the Honourable Frank S. Miller, and presents summarized financial statements of the Province for the fiscal year ended March 31, 1983.

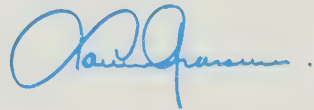
The past year was particularly challenging due to the prolonged recession and continued high interest rates causing record levels of unemployment throughout North America and Europe. These factors made it difficult for Ontario's economy to perform as aggressively as it had in previous years.

The Government continued to maintain the high levels of service provided to the residents of Ontario while undertaking initiatives aimed at economic development and job creation. As a result expenditures were increased selectively during the year, but offsets from internal savings

held the net increase to less than one percent of the Budget projection.

The 1982-83 Public Accounts, which will be submitted to the Ontario Legislature later this year, may be referred to for more details. Information on the Government's ongoing financial plan is contained in the 1983 Ontario Budget.

Comments or questions on the contents of this Report are welcomed and you are invited to direct them to the Office of the Treasurer in the Ministry of Treasury and Economics.



Honourable Larry Grossman, Q.C.
Treasurer of Ontario and Minister of Economics

Toronto, August 1983



Ontario Legislative Building

Copies of the report in English or French are available free from the Ontario Government Bookstore, 880 Bay St., Toronto for personal shopping. Out-of-town customers write to Publications Services Section, 5th Floor, 880 Bay St., Toronto, Ontario, M7A 1N8. Telephone 965-6015. Toll free long distance 1-800-268-7540, in Northwestern Ontario 0-Zenith 67200
ISSN 0318-4005

The year in review

The backdrop for the framing of the Budget of May 1982, was a world economy struggling in the grip of a serious recession. Canada was by no means immune and in fact was greatly affected by the deep and continuing recession in the United States, our major trading partner. With the prolonged recession and continued high interest rates causing record levels of unemployment, it was difficult for Ontario's economy to perform as aggressively as it had in the past.

To meet the challenges facing the Ontario economy, certain stimulative measures were introduced in the

Budget. A total of \$210 million was provided during the year for short-term job creation. These measures were designed to have the most immediate impact on those sectors of the economy with the highest potential for both direct and indirect job creation. The initiatives were focused on regions, industries and groups most affected by unemployment. They included programs which were mainly an acceleration of road construction and maintenance, repairs and renovations to public buildings and a variety of local government capital and maintenance projects. Other initiatives were aimed at

farm improvement and agricultural drainage, co-operative projects with the Federal government and the expansion of youth employment programs.

To stimulate employment in residential construction, and the ancillary furnishings and appliance industries, while simultaneously taking pressure off the rental accommodation market, the Ontario Renter-Buy Program was introduced. Under this program, \$75 million was budgeted for interest free loans to renters and first time home buyers resulting in increased housing starts in the 4th quarter of 1982 and into 1983.

Financial highlights

(\$ millions)

	1983	1982
Budgetary revenue	19,322	17,884
Budgetary expenditure	22,509	19,651
Non-budgetary transactions (net)	709	264
Net cash requirements	2,478	1,503
Provincial debt transactions — proceeds	2,181	1,439

Revenue performance

The extended economic recession affected most of the provincial revenue sources. In particular, retail sales tax and corporation tax yields were down as were revenues from mining profits, gasoline and fuel taxes. Premiums from the Ontario Health Insurance Plan were also less than the Budget projection.

These reductions were partially offset by a number of adjustments made by the Federal government to the estimates of the Province's personal income tax entitlements under the Tax Collection Agreement. The adjustments related to collections and assessments of the 1981 and prior tax years and revised 1982 and 1983 estimates, netting out to increased payments to the Province of \$274 million. As a result the total budgetary revenue for the Province was \$19,322 million, only 0.8% below the Budget projection.

Expenditures

The continuation of the economic recession also affected government expenditures particularly for income maintenance. Caseload and benefit level increases in the provincial and municipal income maintenance programs required \$106 million in additional funding.

Health care costs increased

from the budgeted amount by some \$166 million to fund negotiated salary increases for hospital staff, prior years' hospital deficits, costs related to increased utilization of doctors services and the Ontario Drug Benefit Plan.

Other significant increases from Budget included assistance to the agricultural community through a \$30 million federally-shared payment to the Crop Insurance Commission to alleviate insured losses on the tobacco crop. An additional \$76 million was required to honour a guarantee of certain elements of the refinancing of Massey-Ferguson Limited under the terms of the agreement with the Federal and Provincial governments.

These in-year expenditure increases were partially offset by a reduction from the original estimate of public debt interest costs and in the Teachers' Superannuation Fund unfunded liability payment. This latter saving arose from the latest and more favourable triennial valuation of the Fund.

In addition expenditure constraints were placed on all ministries from which \$562 million in spending offsets were realized. As a result, total expenditures went up by \$218 million, or less than one per cent of the

original Budget estimate.

Net cash requirements

Net cash requirements of \$2,478 million were \$246 million above the Budget plan due substantially to the recessionary impact of increased spending requirements and revenue shortfalls. However, the Province once again financed its requirements from the Canada Pension Plan Investment Fund, the Teachers' Superannuation Fund, and liquid reserves. This marked the seventh successive year that the Province did not enter long-term public capital markets for its own purposes.

Ontario Hydro

The Province traditionally borrows on behalf of Ontario Hydro in United States public markets and passes the proceeds through to Ontario Hydro on like terms. During the year, \$600 million of securities was issued on behalf of Ontario Hydro and \$220 million was retired. The year-end balance of Ontario debt issued for Ontario Hydro was \$5,910 million. This liability is totally offset by the corresponding asset of Ontario Hydro securities held by the Province. In addition, securities issued by Ontario Hydro are guaranteed by the Province and this contingent liability amounted to \$10,238 million at March 31, 1983.

Budgetary revenue

Provincial budgetary revenue includes taxation, payments from the Federal government, health insurance premiums, other revenue, and interest on loans, advances and investments.

The total budgetary revenue for the year was \$19,322 million. Taxation represented approximately 64% of the total. The Federal government's payments on account of current fiscal arrangements and shared-cost programs amounted to 17%. Health insurance premiums were 7%, while profits from certain crown corporations and various fees and licences amounted to 9%. Interest earned on the investment of available funds and on the advances to crown agencies, contributed the balance of 3%.

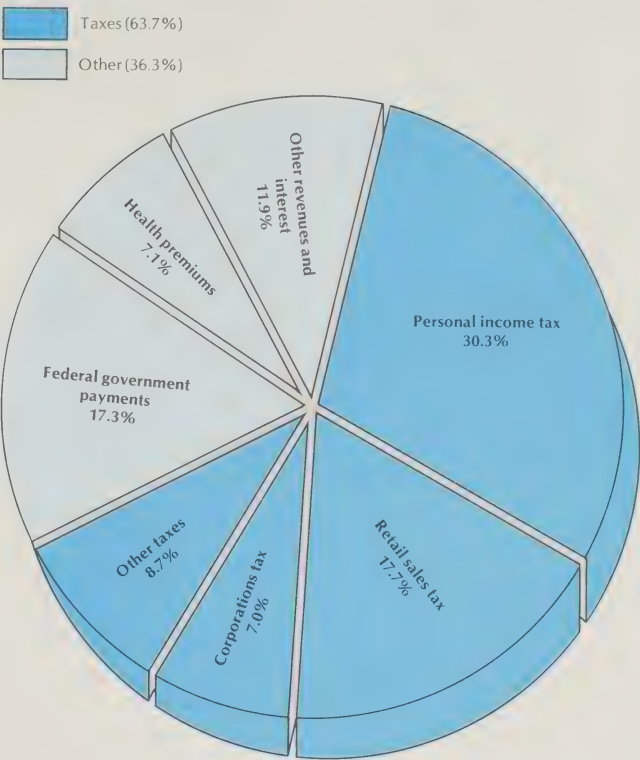
The graph on this page and the table on page 6 provide an overview of the sources of budgetary revenue and their comparative percentages and highlight the performance of the major sources.

Taxation

Taxation, the largest source of provincial revenue, amounted to \$12,312 million. Personal income taxes, retail sales taxes and corporation taxes were the three major components and constituted approximately 86% of taxation revenue.

The personal income tax rate of 48% of Basic Federal Tax was increased from an effective rate of 46% in the previous year. In fiscal 1982-83 personal income tax revenue increased by \$274

Major sources of budgetary revenue



million over the Budget estimate due to the net impact of various Federal government re-estimates and adjustments. Revenue for the 1982 taxation year was reduced as a result of continued weakness in employment and personal income performance. Offsetting these revisions were adjustment payments of \$351 million for prior years.

As in previous years, the retail sales tax was maintained at 7% of the retail price of taxable items and services. The Budget broadened the revenue base by reducing the number of exempted products and extending the tax to labour costs on

repair and maintenance of tangible personal property. Changes were also introduced for taxation in the hospitality industry. Retail sales tax revenue amounted to \$3,420 million, \$257 million below the original projection as a result of economic conditions.

Corporation income taxes include taxes on income, capital and insurance premiums. The 1982 Budget left the rates unchanged other than for small businesses, which were provided with a major incentive in the form of a two year income tax exemption. This incentive was designed to stimulate job creation by

small business, a most important generator and preserver of jobs in Ontario. Total corporation tax revenues were \$1,361 million, a decrease of \$130 million from the Budget projection mainly because of a disappointing performance of corporate profits.

The gasoline and fuel taxes generated \$1,032 million, \$114 million lower than the Budget projection. Although the Budget did not contain any changes to these taxes, the previous year's ad valorem legislation had a favourable impact on their yield in 1982-83. Effective May 20, 1981 the taxes were shifted to a percentage of retail prices, with the applicable retail prices being adjusted quarterly. The revenue decrease from the Budget reflects the decline in gasoline and aviation fuel consumption.

Similar to gasoline and fuel taxes, the tobacco tax is assessed on an ad valorem

basis with the applicable retail prices being adjusted quarterly. The 1982 Budget set the tax rates on cigarettes and cut tobacco at 40% of the retail prices. The total tobacco tax revenue was \$448 million, \$20 million above the original projection.

The revenue collected from the land transfer tax totalled \$100 million and was \$25 million below the Budget estimate. Weak activity in the real estate sector during the first half of the year significantly reduced revenue from this source. However, a combination of factors such as a drop in interest rates, the Federal home ownership grant and the Ontario Renter-Buy Program contributed to a marked increase in housing activity towards the end of 1982 and into the first quarter of 1983.

Payments from the Government of Canada

For many years the Federal and Provincial governments

have had cost sharing agreements notably in the social fields of health, post-secondary education and welfare. In 1977, the Federal cost sharing programs for health and post-secondary education were replaced by a block-funding arrangement known as the Established Programs Financing (EPF). Under this arrangement, Federal payments have been based on a formula which escalated entitlements according to population and Gross National Expenditure changes. In conjunction with the EPF arrangement, the Province has also received funds for extended health care.

In April 1982, the Federal government introduced an amendment lowering the base on which EPF payments are calculated, resulting in total receipts by Ontario of \$2,182 million, some \$290 million less than the original legislation would have provided.

Performance of major revenues (\$ millions)

	Budget		Actual		Variance	
Taxation						
— Personal income tax	5,584		5,858		+ 274	
— Retail sales tax	3,677		3,420		-257	
— Corporations tax	1,491		1,361		-130	
— Other	<u>1,809</u>	12,561	<u>1,673</u>	12,312	<u>-136</u>	-249
Government of Canada						
— Established programs financing	2,267		2,182		- 85	
— Other	<u>1,028</u>	3,295	<u>1,163</u>	3,345	<u>+135</u>	+ 50
OHIP Premiums	1,402		1,365		- 37	
LCBO Profits and LLBO Revenues	715		743		+ 28	
Interest	460		548		+ 88	
Other	<u>1,038</u>	<u>3,615</u>	<u>1,009</u>	<u>3,665</u>	<u>- 29</u>	<u>+ 50</u>
Total		<u>19,471</u>		<u>19,322</u>		<u>-149</u>

With the introduction of EPF, the importance of shared-cost programs as a federal transfer mechanism has declined. The main program still on this cost sharing basis is the Canada Assistance Plan, through which the Federal government shares in the cost of provincial welfare services. The payments received under the Canada Assistance Plan amounted to \$774 million, \$93 million above the Budget projection, reflecting the considerable increase in welfare caseloads and changes in benefit levels. Other Federal shared-cost programs include national training and bilingualism development. Total payments from the Government of Canada were \$3,345 million for the year.

Health insurance premiums

Premiums collected under the Ontario Health Insurance Plan (OHIP) were \$1,365 million for the year. The Budget raised the premium levels, effective in the benefit month of October 1982, to monthly rates of \$27 and \$54 for single and family coverage respectively. A broad program of premium assistance is in place for senior citizens, social

assistance recipients and others requiring financial assistance. OHIP revenue was \$37 million below the original projection, due in part, to an increase in the number of people requiring premium assistance.

Other revenue

The profit from the operations of the Liquor Control Board of Ontario was \$533 million, in line with the Budget projection. Mark-ups on both the domestic and imported spirits were increased by 5 and 3 percentage points respectively, effective May 25, 1982.

Fees and revenues from licences and permits collected by the Liquor Licence Board of Ontario were \$210 million. The licence fees on the production of beer for sale in Ontario were increased by 1.2 percentage points to 21.2%. This, coupled with a full year's impact of the 1981 Budget moves which introduced a 20% mark-up applicable to laid down production and distribution cost, attributed to the strong showing.

In conjunction with the new system of vehicle

registration which was implemented by the Ministry of Transportation and Communications for the 1983 vehicle registration year, the Province adopted a flat fee for all passenger and light-weight commercial vehicles. The revenue generated by vehicle registration fees was \$280 million, \$13 million below the Budget estimate.

The Ontario Lottery Corporation contributed \$117 million in profits from Wintario and Lottario. The profits for the year were \$20 million below the Budget projection.

Interest on loans, advances and investments

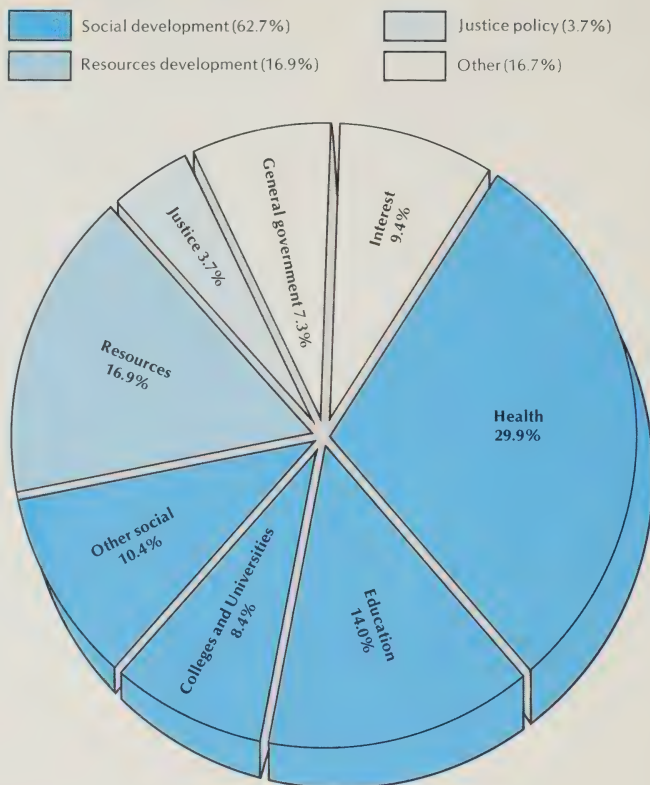
Interest revenues include the return on short-term investments; advances to crown corporations; and advances to municipalities in support of a variety of municipally-oriented projects. The Province generally lends its funds based on prevailing market rates and interest revenue from these sources amounted to \$352 million. Management of the Province's liquid reserves earned \$196 million, from the investment of funds in the money markets.

Budgetary expenditure

The Government of Ontario administers its responsibilities through four main policy fields, which aid in the co-ordination of a wide range of activities. There are three operational policy fields: Social Development, Resources Development, and Justice Policy. The General Government group is comprised of those ministries fulfilling administrative functions and central policy formulation.

The total budgetary expenditure for the current fiscal year amounted to \$22,509 million of which \$16,193 million was in the form of transfer payments to institutions such as public hospitals, school boards, colleges and universities, municipalities, individuals, businesses, and government agencies. The remainder, \$6,316 million, included interest costs on the public debt, salaries and benefits of public service employees and general operating expenses associated with the administration supporting program delivery. The Statement of Budgetary Expenditure on page 23 gives details of expenditure by policy field.

Budgetary expenditure by policy field



Social Development Policy Field

The operation of ministries in this field constituted the major portion of the Ontario government expenditure and amounted to \$14,121 million or 63% of the total budgetary expenditure.

The Secretariat for Social Development supports and co-ordinates the social policy development and also provides other services and information to Ontario residents. In addition, the Secretariat co-ordinated the Ontario Youth Employment Envelope. This together with other programs administered by several

ministries provided nearly 75,000 temporary jobs for young people. Total expenditure for the youth employment programs was \$86 million.

CITIZENSHIP AND CULTURE

The Ministry is responsible for a number of programs which include support for cultural activities and agencies, preservation and acquisition of historical resources, assistance to multicultural groups and newcomers, provision of special services to native people, support to libraries and community information centres, and the funding of capital projects. The total expenditure

for the Ministry was \$216 million.

The arts support program of some \$64 million included grants to the Ontario Arts Council and the Ontario Educational Communications Authority. Approximately \$29 million was spent to assist libraries and community information services throughout the Province.

In addition, the Ministry provided \$82 million for capital projects and facilities through the Lottario and Wintario grants, and \$20 million of these funds were directed towards the construction of the Ottawa and Toronto Convention Centres.

HEALTH

Total expenditure by the Ministry for health services was \$6,733 million representing some 30% of total budgetary expenditure. The Ministry provided \$3,364 million to hospitals and related facilities on account of operating expenses and capital costs.

The Ontario Health Insurance Plan (OHIP), a comprehensive medical care scheme available to all residents, is the primary means by which the Province delivers health care services. Under this plan, physicians and practitioners received payments of \$1,847 million for the services and health care they provided. Pensioners, social assistance recipients and those with low incomes received OHIP premium assistance amounting to some \$658 million. A further \$212 million was provided for free prescription drugs to these groups through the Ontario Drug Benefit Plan.

Other expenditures totalling \$897 million included payments for extended and special care facilities, ambulance and emergency health services, operation of public and mental health institutions, community health services and health related research.

EDUCATION AND COLLEGES AND UNIVERSITIES

The expenditure for education in Ontario by the Ministries of Education and Colleges and Universities was \$5,044 million. The Province has carried out its responsibility for education by supporting local school boards for primary and secondary schools as well as by funding universities, colleges and other post-secondary institutions.

The provincial expenditure on primary and secondary education has been, for the most part, in the form of

transfer payments to the 186 local school boards in Ontario. In 1982-83 these transfer payments amounted to \$2,733 million and supported the school boards' operating and capital financing needs. In addition, the Ministry of Education paid \$275 million as the matching employer's share of teachers' contributions for the Teachers' Superannuation and Adjustment Funds and \$39 million for the unfunded liability of the Teachers' Superannuation Fund.

The post-secondary educational sector received \$1,763 million from the Ministry of Colleges and Universities towards operating and capital costs. Funding was provided to 16 universities, 22 Colleges of Applied Arts and Technology and others such as Ryerson Polytechnical Institute, Ontario College of Art and the Royal Military College.

In addition, \$109 million was provided in grant and loan guarantee assistance through the Ontario Student Assistance Program to students who demonstrated that they could not meet their tuition fees from their own resources.

COMMUNITY AND SOCIAL SERVICES

The Ministry provides a wide range of services through its own facilities or by direct financial support to institutions, municipalities and various special agencies throughout the Province. The total cost of programs administered and supported by the Ministry of Community and Social Services was \$2,123 million. The programs are designed to serve both children and adults.

The provincial cost of the services to children was some \$479 million. The services were delivered through the support of

day nurseries, mental health facilities and juvenile correctional programs of various types. The children's aid societies were the largest recipient group of provincial assistance.

The adult division offers services which include income maintenance, rehabilitation for the handicapped, financial support to senior citizens homes, support and operation of mental retardation facilities and community programs totalling \$1,459 million.

A significant portion of this expenditure, \$996 million, was in the form of income maintenance to individuals requiring assistance on a long-term basis and subsidies paid to municipalities for a portion of the costs associated with payments to those residents who required temporary financial assistance. The demand for these services was higher due to increased unemployment and the difficulty experienced by young people to gain employment.

In addition to the services provided by the Social Development Policy Field detailed in this section, other ministries have in place a number of direct and indirect assistance programs to senior citizens and low income groups. The section entitled "Major Components of Budgetary Expenditure" on page 14 shows the types and provincial costs of these programs.

Resources Development Policy Field

The Secretariat for Resources Development directs and co-ordinates the programs and activities of nine ministries and has corporate responsibility for Native Affairs. The services provided by the ministries in this group encompass a broad

spectrum such as development of natural resources, energy issues, environmental protection, agricultural capability, highway networks and transportation systems, industrial development, labour, tourism and recreation, municipal/provincial relationships and housing. The combined expenditure of these ministries was \$3,804 million, or 17% of the total budgetary expenditure.

TRANSPORTATION AND COMMUNICATIONS

The Ministry of Transportation and Communications is directly responsible for all provincial highways in Ontario and contributes substantially towards construction and maintenance of municipal roads. The cost of design, construction and maintenance of provincial highways was \$510 million while subsidies paid to municipalities for their road programs amounted to \$479 million.

In addition to the road program, the Government is committed to sharing in the cost of commuter transportation. The Ministry paid capital and operating subsidies to GO transit and other provincially initiated or sponsored commuter rail and bus services and provided capital subsidies for municipal transportation systems. The cost of these programs totalled \$295 million.

MUNICIPAL AFFAIRS AND HOUSING

Unconditional grants to municipalities in the amount of \$627 million were the Ministry's most significant expenditure. The municipalities also received \$28 million in direct provincial assistance for community service programs and a variety of urban renewal and downtown revitalization projects.

The other major expenditure of the Ministry was the subsidy of \$141 million paid to the Ontario Housing Corporation as the provincial share of the costs of rent-geared-to-income housing for low income families, senior citizens, the physically disabled and the developmentally handicapped.

The Renter-Buy program announced in the Budget provided a strong stimulus to the Ontario construction industry through interest free loans to renters and first time home buyers. The program administered by the Ontario Mortgage Corporation enabled 12,511 Ontario residents to obtain interest free loans of up to \$5,000 each, with repayment starting in the 11th year after the date of purchase. This program, together with the decline in interest rates and the Federal government home ownership grant, contributed to the substantial increase in the number of housing starts experienced in the 4th quarter of 1982 and into 1983.

ENVIRONMENT

The Ministry's main role is that of maintaining the quality of the environment and it spent \$58 million on its related regulatory and monitoring functions. The expenditure for the operation of waste disposal and water treatment plants and direct grants to municipalities for the construction of sewage and water treatment plants and trunk sewers amounted to \$187 million. The Ministry of the Environment's total expenditure was \$267 million.

NATURAL RESOURCES

The Ministry of Natural Resources administers the Crown lands which comprise 88% of the land mass in Ontario. The responsibilities of the Ministry include the

protection of fish, wildlife and forests, mineral management, and the provision of outdoor recreational facilities. In addition, the Ministry operates programs which provide for the production and harvest of renewable natural resources and encourage and regulate the development of the Province's non-renewable resources. The Ministry's total spending was \$374 million.

AGRICULTURE AND FOOD

The Ministry of Agriculture and Food provided a series of educational, research and marketing services to the farming community. It also assisted with the upgrading of the productive capacity of farming land through funding for tile drainage.

In addition the Ministry assisted certain farmers who were experiencing depressed markets and high production and financing costs. A number of assistance programs such as the Ontario Farm Adjustment Assistance Program and the Farm Income Stabilization Plan were in effect to help those in need. Assistance to farmers under these programs amounted to \$25 million.

The Province also paid \$30 million to the Crop Insurance Commission under a federally-shared program to relieve insured losses on the tobacco crop. The total expenditure for the Ministry was \$282 million.

INDUSTRY AND TRADE

The Ministry's services are directed mainly at the stimulation of investment by existing businesses and foreign investors and the support of growth in productive employment by promoting purchases of Canadian-made goods. Assistance is also provided for capital projects

which emphasize development of Ontario industries and new export markets. An amount of \$30 million was spent for trade and industrial development including the operation of international trade offices and the establishment of six BILD sponsored technology centres in Ontario. Expenditure on the incentive and industrial development programs administered by the Development Corporations amounted to some \$34 million.

In 1981, the Federal and Provincial governments agreed to guarantee a refinancing arrangement for Massey-Ferguson Limited and this year, the Ministry paid \$76 million to acquire Ontario's portion of the preferred share issue.

TOURISM AND RECREATION

The programs administered by the Ministry relate to development and support of tourism, recreational attractions, sports and fitness.

Some \$26 million was spent to provide encouragement, management and consulting services to tourist operators; to assist municipalities in developing tourism strategies and programs; and to promote Ontario, throughout Canada and abroad. The Ministry also spent approximately \$20 million to develop, maintain and operate historic, natural and recreational resources and facilities. In addition, some \$41 million was directed towards recreation, sports and fitness to ensure that recreational facilities exist in all Ontario communities.

ENERGY

The Ministry develops the Government's energy policies and supports and operates a wide range of programs related to energy supply, conservation,

research and demonstration of efficient energy utilization. Some \$27 million was spent on energy conservation aimed at reducing the rate of growth of demand for energy by introducing non-wasteful energy utilization programs. The Ministry also directed \$18 million to the development of alternative and renewable energy supply.

Justice Policy Field

The primary function of the ministries under the direction of the Justice Policy Secretariat is the protection of Ontario residents. The four ministries in this field are responsible for the administration of justice, law enforcement, maintenance and administration of correctional facilities and consumer protection. The total cost of these programs was \$832 million.

SOLICITOR GENERAL

The major program of this Ministry is the operation of the Ontario Provincial Police, which has 4,300 uniformed staff and security guards. Some \$187 million was spent on providing direct policing services throughout the Province.

Through the Ontario Police Commission, the Solicitor General supervises the activities of municipal police forces in Ontario and provides the required educational and arbitration services. In addition, \$23 million was spent to provide public safety programs, forensic sciences and coroner's investigations and inquests.

ATTORNEY GENERAL

The Ministry is responsible for various services related to the administration of justice. The operation of the Ontario courts, which is the Ministry's main

activity, cost \$125 million. The Ministry also contributed \$45 million to the Legal Aid Fund ensuring that all citizens had access to legal representation.

CORRECTIONAL SERVICES

The primary function of the Ministry is the institutional care, treatment and training of adult offenders and \$162 million was spent on these activities. The Ministry also administered parole and rehabilitation activities through community service programs at a cost of \$36 million. Total expenditure for the Ministry was \$206 million.

CONSUMER AND COMMERCIAL RELATIONS

The Ministry provides protection to Ontario residents through the administration of various programs and acts. The total Ministry expenditure was \$107 million.

Some \$37 million was spent on the administration of programs which included property registration, inspection of elevators and pressure vessels, fuel safety and building codes.

Through the Ontario Securities Commission (OSC), the Ministry administers the Securities and Commodity Futures Acts. The OSC provides information and protection to investors and ensures that the Canadian capital and commodity future markets operate efficiently and with integrity. The Ministry also monitors the financial status and organizational structure of insurance companies, loan and trust companies and other financial institutions such as credit unions and co-operatives. The cost of these commercial standards programs was \$23 million for the year.

General Government

The ministries in this group are those which primarily provide an administrative or central policy function.

NORTHERN AFFAIRS

The Government's commitment to the economic development of Northern Ontario is carried out and co-ordinated by this Ministry. Expenditures on resource, industrial and transportation development were \$65 million while an additional \$64 million was spent on road construction. Subsidies on rail, ferry and air services paid to the Ontario Northland Transportation Commission were \$20 million.

GOVERNMENT SERVICES

The main function of the Ministry is the provision of accommodation to all ministries and some crown agencies. This year the Ministry was also involved with the relocation of the Ministry of Revenue to Oshawa and parts of the Ministries of Health and Transportation to Kingston. These moves were designed to further decentralize the operations of the Government and provide employment in those two areas of the Province.

Accommodation costs were \$299 million of which \$100 million was spent on the maintenance and upkeep of government-owned or leased buildings throughout the Province.

Other services for which the Ministry is responsible are the internal mail distribution, provision of government computer services, the central purchasing function and printing. The services are performed centrally to achieve efficiency through economies of scale. The Ministry of Government Services recovers part of the program costs from the ministries on behalf of which the services are performed.

REVENUE

The Ministry is the largest in this group and is responsible mainly for tax collection and the administration of real property assessment on behalf of local governments. Other functions of the Ministry include payments in the form of Property Tax Grants, Home Heating and Sales Tax Grants, totalling \$337 million and benefiting approximately 906,000 Ontario senior citizens. Payments under the Guaranteed Annual Income System (GAINS), a system designed to provide pensioners with a basic level of income security, amounted to \$89 million. Total expenditure for the Ministry was \$612 million.

TREASURY AND ECONOMICS

The Ministry develops and directs all fiscal, financial, taxation, accounting, economic and related policies. It is responsible for the reporting of the Province's financial information to the Legislature, investors and the public and for providing recommendations on the management and direction of the borrowing and investment activities.

Another function of the Ministry relates to advising and assisting the Treasurer and the Government in formulating the Ontario Budget which includes

the fiscal framework, expenditure priorities, revenue targets, objectives and economic initiatives. The federal-provincial and provincial-local government finance policies are also initiated and developed by the Ministry.

Total expenditure for the Ministry was \$2,511 million which included the public debt interest costs in the amount of \$2,110 million.

As in the previous year, the initiation and co-ordination of the Province's economic development strategy was carried out by the Board of Industrial Leadership and Development (BILD), a Cabinet committee chaired by the Treasurer of Ontario. Spending on BILD initiatives including both budgetary and non-budgetary expenditures totalled \$166 million. A portion of this money was paid to ministries to undertake specific projects. The remainder was paid directly to companies in the private sector in a combination of grants, loans and investments, as reflected in the table below.

In addition, BILD was responsible for the overall administration and co-ordination of short-term employment creation programs. The provincial expenditure for these programs was \$210 million and provided nearly 54,000 jobs.

**Board of Industrial Leadership and Development
Expenditures for the year ended March 31, 1983**
(\$000's)

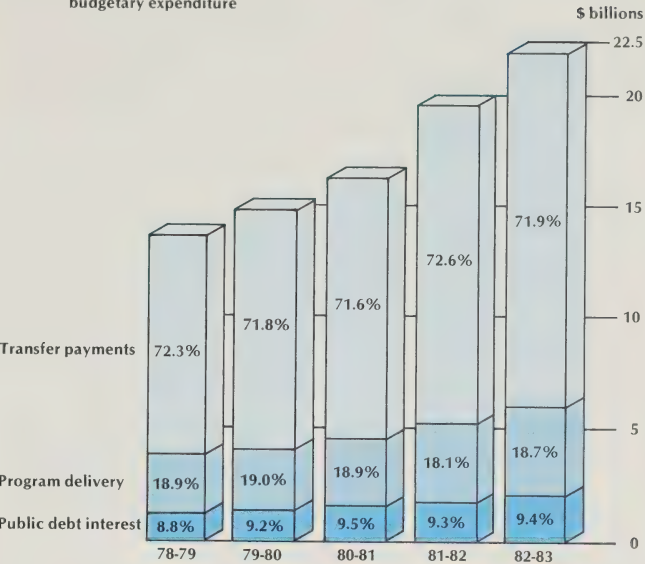
Priority Areas	Direct Spending	Loans & Investments	Total
People	24,060		24,060
Resources	43,806	90	43,896
Electricity	800		800
Transportation	35,772		35,772
Community	5,794	472	6,266
Technology	34,590	12,377	46,967
Employment			
Development Fund	8,000		8,000
	<u>152,822</u>	<u>12,939</u>	<u>165,761</u>

Major components of budgetary expenditure

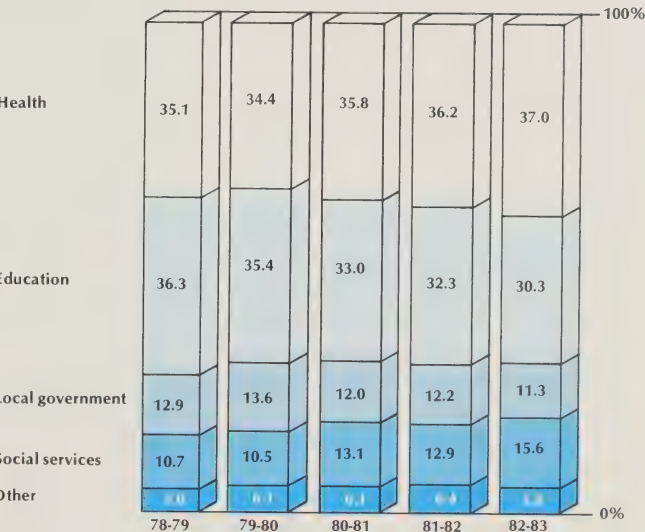
Transfer payments amounted to \$16,193 million and represented 71.9% of total budgetary expenditure. The remaining portion is made up of the administrative expenses necessary for the delivery of the Government programs and interest costs. The table below summarizes these costs and shows the percentage distribution of budgetary expenditure.

	\$ millions	
Transfer payments		
• Health care	5,998	26.6%
• Educational expenditure	4,903	21.8%
• Social services	2,534	11.2%
• Local government	1,822	8.1%
• Other	936	4.2%
	<u>16,193</u>	<u>71.9%</u>
Program delivery		
• Salaries and employee benefits	2,354	10.4%
• Other	1,852	8.3%
	<u>4,206</u>	<u>18.7%</u>
Interest costs	<u>2,110</u>	<u>9.4%</u>
Total budgetary expenditure	<u>22,509</u>	<u>100.0%</u>

Graph 1: Major components as a % of budgetary expenditure



Graph 2: Transfer payments by functional objective (as a % of total payments)



Graphs 1 and 2 illustrate the five year trend of the major components of budgetary expenditure.

Health related expenditure includes transfer payments to hospitals, payments to doctors, and program delivery costs. Most of these expenditures are funded from general revenue with the Ontario Health Insurance Plan premiums contributing approximately 19%. Graph 3 on the next page compares OHIP premium revenue to the Province's health related expenditure.

Education constituted some 22% of total budgetary expenditure underlining the Government's continued commitment to invest in a broad base of educational institutions. As a result,

Ontario's work force is among the most skilled and highly educated in the world.

Interest costs associated with the public debt were \$2,110

million, 9.4% of total budgetary expenditure, up from 9.3% in the previous year reflecting increased borrowing requirements and high interest rates.

Social assistance to senior citizens and low income groups totalling \$2,287 million was provided directly and indirectly by various programs. The table below indicates the types and costs of these programs.

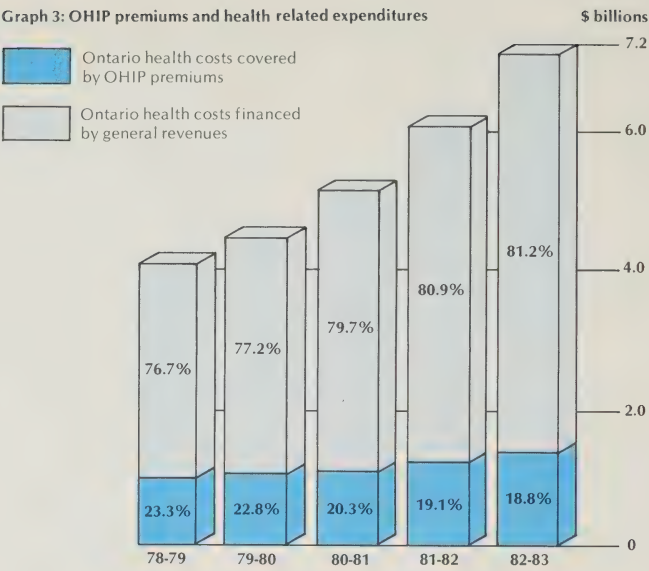
	\$ millions
<ul style="list-style-type: none"> Income maintenance including support to homes for senior citizens and rehabilitative programs for the handicapped 	1,233
<ul style="list-style-type: none"> Property Tax Grants & Home Heating Grants to senior citizens 	293
<ul style="list-style-type: none"> Ontario Tax Credits provided to low income groups 	275
<ul style="list-style-type: none"> Drug Benefit Plan 	212
<ul style="list-style-type: none"> Subsidized accommodation for low income citizens 	141
<ul style="list-style-type: none"> Guaranteed Annual Income System (GAINS) for senior citizens 	89
<ul style="list-style-type: none"> Sales Tax Grants to senior citizens 	44
	<u>2,287</u>

The Government's commitment to control discretionary expenditure, while meeting the needs of Ontario's population, continues. Spending on the Province's program delivery was 18.7% of total budgetary expenditure. While the standard of services has remained high, Ontario's spending has been constrained by good management and administration. The existence of economies of scale in program delivery has allowed the Province to continue to deliver its services at low per unit costs. The savings achieved are quite significant in a province like Ontario, which has a diversified economy and a highly urbanized population.

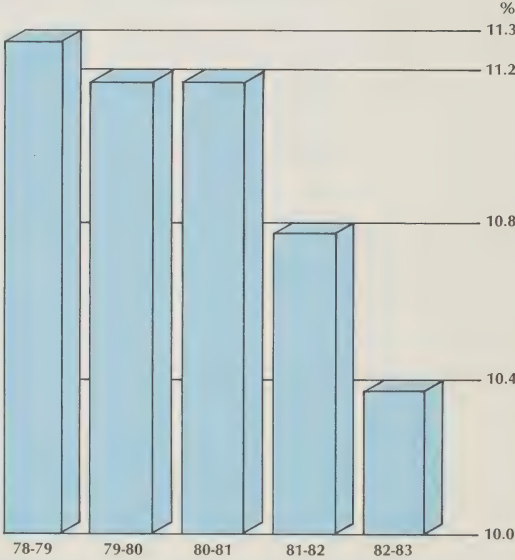
The cost of salaries and employee benefits for the year totalled \$2,354 million. Graph 4 shows salaries and employee benefits as distinct from program delivery costs.

Under the Inflation Restraint Act, effective September 21, 1982 public sector salaries, wages and benefits have been

Graph 3: OHIP premiums and health related expenditures



Graph 4: Salaries and benefits as a % of budgetary expenditure



restricted to an increase of 5% during the legislation's control year. The Inflation Restraint Board is overseeing the effective implementation of the Government's restraint program regarding public sector wages and provincially administered prices.

The salaries of civil servants

at the most senior levels have grown at less than half the rate of inflation since 1973 keeping their salaries below those in many other governments and the private sector. The number of public servants has decreased by 6.6% since 1975, to 81,000 from 87,000 while the general population increased by 7.6%.

Non-budgetary transactions

The Province's non-budgetary transactions relate to lending, investment and trust administration functions. These activities, which are additional to the normal grant support and administrative operations, generated net inflows of \$709 million to the Consolidated Revenue Fund.

Lending and investment activity

In recent years the largest proportion of loans and investments has been to various crown agencies and municipalities.

Loans to municipalities amounted to \$33 million of which \$29 million was provided to municipalities for tile drainage loans at subsidized rates of interest. This program has grown steadily in the last few years and represents the Government's continued commitment to improve the productive capacity of agricultural lands in Ontario. Further, some \$72 million was invested in the construction of water treatment and waste control facilities.

Repayments of loans and advances were \$341 million. Some \$68 million was recovered from the Province's investment in water and sewage treatment facilities, \$25 million of which resulted from a recognition of provincial assistance, as negotiations were being finalized with certain municipalities to assume ownership of facilities from the Province. Further, outstanding advances to the Education and University Capital Aid Corporations were reduced by some \$119 million. The Ontario Land Corporation which merged with the Ontario Mortgage Corporation during the year, was able to repay \$67 million of its advances as a result of additional land sales and collection of mortgages.

Trust administration

The Province's function as a trustee for a variety of special funds and deposit accounts yielded net cash inflows of \$549 million to the Consolidated Revenue Fund. This function encompasses pension funds, deposits with the Province of Ontario Savings Office, the interprovincial lottery trust fund and other deposit, trust and reserve accounts.

Pension funds

The Public Service Superannuation Fund is the basic pension plan for the Province's employees. Payments into the fund of some \$485 million consisted of employees' and employer's matching contributions, interest earned by the Fund and payments made by the Province to amortize actuarial deficits. Payments out of the Fund, in the form of pension benefits and refunds of contributions including interest, totalled some \$109 million.

The Superannuation Adjustment Fund is a pay-as-you-go plan designed to provide a pension supplement to partially offset the effects of inflation for retired employees, mainly civil servants and teachers covered by both the Public Service Superannuation Fund and the Teachers' Superannuation Fund. Under Superannuation Adjustment Fund arrangements, the employees and the employer make matching contributions and the Fund balance earns interest at market related rates. The inflow of the combined contributions and interest exceeded the payments made by \$155 million.

The financial aspects of the pension funds are further explained in Note 6 to the financial statements on page 28.

Province of Ontario Savings Office

The 21 branches of the Savings Office in Ontario accept interest bearing deposits from the general public and provide chequing privileges. All deposits are fully guaranteed by the Province. The funds, surplus to the day-to-day operating needs, are deposited with the Treasurer of Ontario. The balance on deposit at year end totalled \$674 million.

Other deposit, trust and reserve accounts

This category encompasses a variety of accounts including trust funds for the interprovincial lotteries, the Motor Vehicle Accident Claims Fund, and several security deposits and trust accounts. The total balance of this group of accounts was \$128 million.

Funded debt

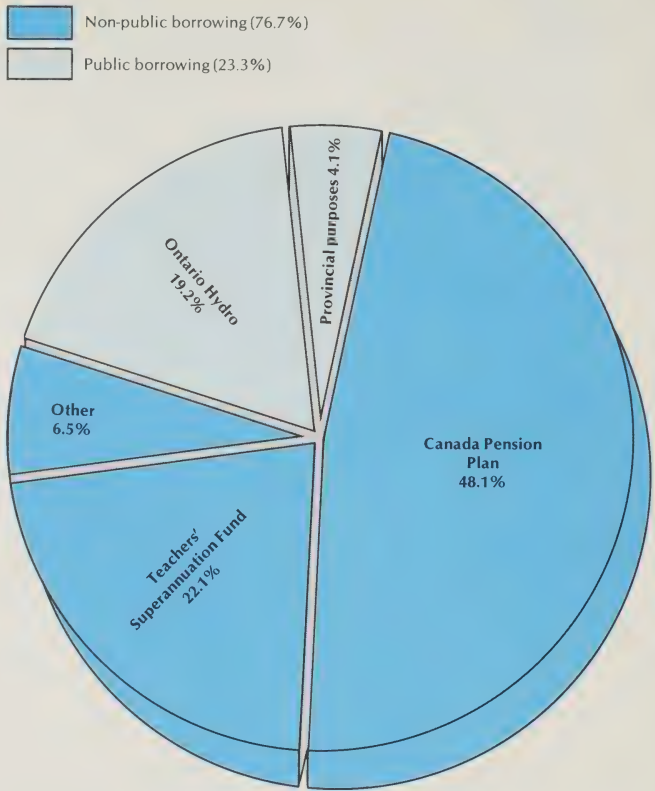
Ontario's funded debt is defined to include those obligations that have a specified term to maturity and are secured by debt instruments including bonds, debentures, notes and treasury bills. Virtually all of the total outstanding funded debt at March 31, 1983 was in the form of long-term debentures.

In fiscal 1982-83, the Province continued to meet all of its own long-term financial requirements from non-public sources. During the year \$1,236 million was borrowed from the Canada Pension Plan (CPP) which represented 57% of the total borrowed from non-public sources. This particular source comprises the net payments into the CPP by the contributors in Ontario. Funds are loaned to the Province at rates of interest based on Government of Canada long-term borrowing rates. These loans have a term of 20 years but are callable on six months notice under certain conditions.

The other major non-public source of funds was the Teachers' Superannuation Commission. The Commission manages the pension plan of the teachers in Ontario and its surplus funds are invested in provincial securities at an interest rate based on the Province's long-term public market borrowing costs during the previous year. The Teachers' Superannuation Commission invested \$945 million during the year raising its total investment in Ontario securities to \$5,633 million.

Another non-public source of funds available to the Province until December 31, 1978, was the Ontario Municipal System Employees Retirement System

Major components of funded debt



(OMERS). OMERS provides a pension plan for employees in the local government sector and, since January 1979, has invested its excess revenue in the private sector. The outstanding funded debt owing to OMERS was \$1,293 million at March 31, 1983.

In the last seven years, Ontario's public market borrowings have been restricted to raising funds for Ontario Hydro, or for the Province's temporary 91 day treasury bill program which was discontinued in 1979-80.

The Province borrowed \$600 million in the United States during the year for Ontario Hydro. When Ontario borrows on Ontario Hydro's behalf the proceeds are advanced to Ontario Hydro, secured by bonds bearing like terms and conditions to the securities issued by the Province. At March 31, 1983, the total outstanding funded debt borrowed in the United States for Ontario Hydro was \$4,910 million. In contrast, the publicly held funded debt borrowed for provincial purposes was \$1,055 million.

Funded debt characteristics

Ontario's direct and guaranteed debt comprises: direct obligations issued by the Province for its own purposes and for Ontario Hydro; and guaranteed obligations issued by others and guaranteed by the Province. Ontario Hydro accounts for all but \$5 million of the guaranteed debt making it effectively the sole user of the provincial guarantee in the capital markets.

Provincial securities issued in the public markets, including those issued for Ontario Hydro, represented 23% of direct funded debt, the balance being issued to non-public sources. The average term to maturity of Ontario's own purpose debt was 7.7 years, while that issued for Ontario Hydro was 20.3 years.

Central financing policy

One characteristic of the Province's financing is the extent to which its own financial strength has been used to fund the local government sector and its own agencies. It has also carefully controlled the use of the provincial guarantee restricting it almost exclusively to borrowings undertaken by Ontario Hydro.

The centralized financing policy and the control exercised over the use of the provincial guarantee, have resulted in 87% of the total Ontario public sector debt being accounted for as either direct or contingent liabilities of the Province. This policy, combined with significant transfer payment programs, has substantially reduced the use of the capital markets by municipalities,

universities, colleges, hospitals, school boards and other provincial agencies. Of these agencies, only Ontario Hydro and a few large municipalities have issued funded debt to the public in recent years. Ontario Hydro's public borrowings guaranteed by the Province accounted for 95% of the reported contingent liabilities. Although local government borrowings are not provincially guaranteed, their borrowing activities are monitored by the Ontario Municipal Board.

The Province therefore, by using its broader revenue base to borrow on behalf of its agencies, by restricting the use of its guarantee, and by the surveillance of the Ontario Municipal Board, maintains control over the debt raising activities of the Ontario public sector.

Consolidated Funded Debt of the Ontario Public Sector

	Interim March 31/83 (\$ millions)	%	Actual March 31/82 (\$ millions)	%
Provincial Direct and Guaranteed				
Direct debt issued for — Provincial purposes	19,643	46.9	17,592	46.9
— Ontario Hydro	5,910	14.1	5,530	14.7
Guaranteed Debt — Ontario Hydro and other*	11,024	26.3	9,124	24.3
Sub-Total	36,577	87.3	32,246	85.9
Other Public Sector				
Provincial Agencies	1,809	4.3	1,835	4.9
Local Government Sector	3,374	8.0	3,294	8.8
University and Hospital Sector	155	0.4	165	0.4
Sub-Total	5,338	12.7	5,294	14.1
Total	41,915	100.0	37,540	100.0

* Excludes bank loans

Selected financial and economic statistics

(\$ millions)

March 31	1983	1982	1981	1980	1979
Consolidated revenue fund inflows					
Budgetary revenue	19,322	17,884	15,549	14,214	12,322
Non-budgetary receipts and credits	1,111	1,002	921	1,032	911
Consolidated revenue fund outflows					
Budgetary expenditure	22,509	19,651	16,836	15,346	13,913
Non-budgetary disbursements and charges	402	738	437	484	500
Net cash requirements	2,478	1,503	803	584	1,180
Provincial debt transactions (net)	2,051	1,363	968	1,133	1,652
Ontario Hydro debt transactions (net)	380	1,340	408	214	667
Liabilities					
Direct funded debt issued for					
— Provincial purposes	19,643	17,592	16,215	15,196	14,038
— Ontario Hydro	5,910	5,530	4,190	3,782	3,568
Other	4,333	3,784	3,333	2,946	2,463
Total liabilities	29,886	26,906	23,738	21,924	20,069
Contingent liabilities	10,823	8,964	8,255	7,599	6,734
Ontario public sector funded debt¹	41,915	37,540	34,128	31,899	29,614
Gross provincial product at market prices²	132,403	126,115	110,991	100,718	89,918
Gross provincial product in constant (1971) prices²	48,575	51,199	49,622	50,003	49,236
Personal income (Ontario)²	118,590	108,066	93,077	83,295	75,190
Personal income (Ontario) per capita² (June 1 population) (in dollars)	13,631	12,529	10,856	9,795	8,905
Net cash requirements/GPP (%)	1.9	1.2	0.7	0.6	1.3
Direct funded debt issued for provincial purposes/GPP (%)	14.8	13.9	14.6	15.1	15.6
Ontario public sector funded debt/GPP (%)	31.7	29.8	30.8	31.7	32.9

¹ Ontario public sector funded debt is the funded debt of the Province and all provincial agencies, boards and commissions including local governments net of intra-sector borrowing.

² Gross provincial product and personal income are calculated on a calendar year basis. The amounts appearing in a fiscal year column are for the preceding calendar year.

**Financial
statements
1983**

Summary of significant accounting policies

The accounting basis

The following financial statements, prepared using the concept of a Consolidated Revenue Fund, have been designed primarily to provide an accounting of the financial resources appropriated by the Ontario Legislature. The fundamental requirement to report compliance with legislative authority results in a presentation of financial information in a manner significantly different from that used in the private sector. The accrual basis of accounting used in the private sector best reflects the costs incurred to earn revenues; the policies and practices followed by the Province, under which the financial transactions of government ministries are recorded and displayed as Consolidated Revenue Fund cash inflows and outflows, best accommodates reporting to the Legislature.

The cash basis of accounting used by the Province is modified to allow for an additional thirty days to pay for debts incurred during the fiscal year just ended. In this regard, payments to employees for the pay period which overlaps the fiscal year end date are apportioned between the two years. Cash inflows, on the other hand, are closed at March 31 for cash received or in transit. With respect to provincial crown corporations, agencies, boards and commissions, the financial statements of the Consolidated Revenue Fund reflect only the extent to which their operations have been financed or have contributed to the Fund for the year.

Classification of transactions

The transactions of the Province of Ontario are presented in summary form according to the four distinct areas of government activity through the Consolidated Revenue Fund.

“Budgetary Transactions” are operational activities which include the revenues raised through taxation, premiums, fees, licences and permits, payments from the Federal government under fiscal arrangements and shared-cost programs, and income from investments. Expenditures on government programs include payments for goods and services, interest on the public debt, salaries, transfer payments to individuals, municipalities and institutions, subsidies and grants, and the acquisition or creation of fixed assets.

“Non-Budgetary Transactions” are the lending, investment and trust administration functions which include the government lending and investment activity in various crown corporations, agencies and municipalities. All of these loans and advances are repayable or represent equity holdings supported by the assets of the corporations. Also included in this category is the activity within deposit, trust, reserve and certain special purpose accounts.

“Disbursements” is the term used to describe the lending and investment transactions of the government. “Receipts” consist of the repayment of loans or recovery of investments. “Credits” is the term used to describe payments into deposit, trust, reserve, and special purpose accounts. Payments made from these same accounts are termed “Charges”.

“Debt Transactions” are the borrowing and repayment transactions which include obligations issued for both non- public and public sources of funds.

“Ontario Hydro Transactions” relate to amounts borrowed by the Province on behalf of Ontario Hydro. The Province issues securities and advances the proceeds to Ontario Hydro in exchange for bonds with like terms and conditions. Since these transactions and the ensuing retirement and debt servicing costs are the result of a financing alternative and are not a part of the Province’s own budget plan, they are classified separately.

Assets and liabilities

The assets and liabilities reported in the financial statements are financial claims which have been created by cash transactions. The recorded assets are claims by the Consolidated Revenue Fund on other parties. As indicated in the Notes to the financial statements, under current government policy, the funds required to repay some of the advances and loans included in the recorded assets are effectively provided out of future provincial expenditure appropriations. The liabilities are claims by other parties on the Consolidated Revenue Fund. Since expenditures on fixed assets do not represent financial claims on other parties and are not considered to differ from any other service to the public, they are not reported as assets but are expensed as budgetary items in the year of acquisition.

Debentures, notes and treasury bills are recorded as liabilities at the face value of the debt instrument. Discount, premium and commission expenses are treated as current year budgetary transactions. The general resources of the Province are used for the continued orderly retirement of debt and no sinking funds are maintained for this purpose.

The contingent liabilities of the Province consist of guarantees by the Treasurer of Ontario. Other significant commitments and liabilities are disclosed in Notes to the financial statements.

The net debt of the Province is the excess of liabilities over recorded assets. It is also the accumulation of all budgetary deficits and surpluses since Confederation. The year-to-year change in net debt is the amount by which budgetary revenues exceed or are less than budgetary expenditures.

Statement of consolidated revenue fund

for the year ended March 31, 1983 (\$ millions)

	Budget 1983	Actual 1983	Actual 1982
Opening balance			
Cash and temporary investments		<u>1,594</u>	<u>1,734</u>
Budgetary transactions			
Revenue	19,471	19,322	17,884
Expenditure	<u>22,291</u>	<u>22,509</u>	<u>19,651</u>
Budgetary deficit	(2,820)	(3,187)	(1,767)
Non-budgetary transactions			
Loans, advances and investments			
Receipts	311	341	342
Disbursements	<u>269</u>	<u>181</u>	<u>544</u>
Net (increase) decrease in loans, advances and investments	<u>42</u>	<u>160</u>	<u>(202)</u>
Trust administration functions			
Credits	763	770	660
Charges	<u>217</u>	<u>221</u>	<u>194</u>
Net increase in trust administration functions	<u>546</u>	<u>549</u>	<u>466</u>
Non-budgetary transactions (net) . . .	<u>588</u>	<u>709</u>	<u>264</u>
Net cash requirements	<u>(2,232)</u>	<u>(2,478)</u>	<u>(1,503)</u>
Debt transactions			
Proceeds of loans	1,948	2,181	1,439
Retirements of loans	<u>131</u>	<u>130</u>	<u>76</u>
Debt transactions (net)	<u>1,817</u>	<u>2,051</u>	<u>1,363</u>
Ontario Hydro transactions			
Proceeds of debentures		600	1,450
Retirements of debentures		<u>220</u>	<u>110</u>
		380	1,340
Related advances, interest and recoveries		<u>(380)</u>	<u>(1,340)</u>
Ontario Hydro transactions (net)		<u>—</u>	<u>—</u>
Closing balance			
Cash and temporary investments		<u>1,167</u>	<u>1,594</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of budgetary revenue

for the year ended March 31, 1983 (\$ millions)

	Budget 1983	Actual 1983	Actual 1982
Taxation			
Personal income tax	5,584	5,858	4,928
Retail sales tax	3,677	3,420	2,853
Corporations tax	1,491	1,361	1,769
Gasoline tax	931	848	759
Tobacco tax	428	448	345
Fuel tax	215	184	172
Land transfer tax	125	100	129
Race tracks tax	65	65	59
Mining profits tax	40	27	56
Succession duty	—	11	9
Public utilities income tax	—	(14)	8
Other	5	4	1
	<u>12,561</u>	<u>12,312</u>	<u>11,088</u>
Other revenue			
Premiums — Ontario Health Insurance Plan	1,402	1,365	1,179
Profits from crown corporations and boards			
Liquor Control Board of Ontario	530	533	502
Ontario Lottery Corporation	137	117	137
Vehicle registration fees	293	280	296
Liquor Licence Board of Ontario revenues	185	210	170
Other fees and licences	214	195	179
Utility service charges	66	84	73
Fines and penalties	78	76	76
Royalties	70	73	67
Sales and rentals	73	62	64
Other	107	122	122
	<u>3,155</u>	<u>3,117</u>	<u>2,865</u>
Government of Canada			
Established Programs Financing			
Cash Contribution	1,979	1,894	2,044
Extended Health Care Services	288	288	257
Canada Assistance Plan	681	774	630
National Training Agreement	124	152	124
Other	223	237	253
	<u>3,295</u>	<u>3,345</u>	<u>3,308</u>
Interest on loans, advances and investments	<u>460</u>	<u>548</u>	<u>623</u>
Total budgetary revenue	<u>19,471</u>	<u>19,322</u>	<u>17,884</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of budgetary expenditure

for the year ended March 31, 1983 (\$ millions)

	Budget 1983	Actual 1983	Actual 1982
Social development policy field			
Health	6,544	6,733	5,776
Education	3,291	3,161	3,045
Community and Social Services	1,970	2,123	1,770
Colleges and Universities	1,860	1,883	1,669
Citizenship and Culture	222	216	160
Social Development Policy	5	5	4
	<u>13,892</u>	<u>14,121</u>	<u>12,424</u>
Resources development policy field			
Transportation and Communications	1,414	1,446	1,323
Municipal Affairs and Housing	1,074	1,024	996
Natural Resources	357	374	353
Agriculture and Food	252	282	273
Environment	246	267	241
Industry and Trade	69	149	65
Energy	66	102	41
Tourism and Recreation	89	90	101
Labour	65	67	59
Resources Development Policy	3	3	3
	<u>3,635</u>	<u>3,804</u>	<u>3,455</u>
Justice policy field			
Solicitor General	285	281	248
Attorney General	219	237	207
Correctional Services	185	206	174
Consumer and Commercial Relations	92	107	85
Justice Policy	1	1	1
	<u>782</u>	<u>832</u>	<u>715</u>
General government			
Revenue	605	612	537
Treasury and Economics	351	401	144
Government Services	365	384	311
Northern Affairs	179	180	169
Office of the Assembly	28	32	35
Management Board of Cabinet	16	14	12
Intergovernmental Affairs	7	7	5
Other	13	12	12
	<u>1,564</u>	<u>1,642</u>	<u>1,225</u>
Public debt — interest	2,172	2,110	1,832
Contingency fund (note 10)	246	—	—
Total budgetary expenditure	<u>22,291</u>	<u>22,509</u>	<u>19,651</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of non-budgetary transactions

for the year ended March 31, 1983 (\$ millions)

	Budget 1983	Actual 1983	Actual 1982
Loans, advances and investments			
RECEIPTS			
Corporations, boards and commissions			
The Ontario Education Capital Aid Corporation	87	87	82
The Ontario Universities Capital Aid Corporation	32	32	31
Ontario Land Corporation (note 3)	34	67	32
Development Corporations	22	25	31
Ontario Municipal Improvement Corporation	3	3	3
Ontario Housing Corporation	—	2	4
The Crop Insurance Commission of Ontario	10	—	5
Other	23	6	5
Water treatment and waste control facilities	70	68	101
Loans to municipalities	15	34	30
Other loans and investments	15	17	18
	<u>311</u>	<u>341</u>	<u>342</u>
DISBURSEMENTS			
Corporations, boards and commissions			
The Crop Insurance Commission of Ontario	—	16	—
Development Corporations	33	14	36
BILD	20	13	28
Ontario Energy Corporation	62	11	325
Ontario Land Corporation	13	11	15
Ontario Municipal Improvement Corporation	4	6	—
Ontario Housing Corporation	4	4	4
Other	—	1	4
Water treatment and waste control facilities	100	72	100
Loans to municipalities	30	33	32
Other loans and investments	3	—	—
	<u>269</u>	<u>181</u>	<u>544</u>
Net (increase) decrease in loans, advances and investments	<u>42</u>	<u>160</u>	<u>(202)</u>
Trust administration functions			
CREDITS			
Pension funds	494	489	418
Deposit, trust and reserve accounts	241	261	211
Province of Ontario Savings Office			
deposits — net increase	28	20	31
	<u>763</u>	<u>770</u>	<u>660</u>
CHARGES			
Pension funds	119	110	101
Deposit, trust and reserve accounts	98	111	93
	<u>217</u>	<u>221</u>	<u>194</u>
Net increase in trust administration functions	<u>546</u>	<u>549</u>	<u>466</u>
Total non-budgetary transactions	<u>588</u>	<u>709</u>	<u>264</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements

Statement of debt transactions

for the year ended March 31, 1983 (\$ millions)

	Budget 1983	Actual 1983	Actual 1982
Proceeds of loans			
NON-PUBLIC			
Canada Pension Plan Investment Fund	1,200	1,236	769
Teachers' Superannuation Fund	748	945	670
Total proceeds of loans	<u>1,948</u>	<u>2,181</u>	<u>1,439</u>
Retirements of loans			
NON-PUBLIC	84	84	14
PUBLIC			
For general purposes	47	46	62
Total retirements of loans	<u>131</u>	<u>130</u>	<u>76</u>
Debt transactions (net)	<u>1,817</u>	<u>2,051</u>	<u>1,363</u>

Statement of Ontario Hydro transactions

for the year ended March 31, 1983 (\$ millions)

	1983	1982
Proceeds of debentures (public)	600	950
(non-public)	—	500
Retirements of debentures (public)	<u>(220)</u>	<u>(110)</u>
Net increase in debentures for Ontario Hydro purposes	<u>380</u>	<u>1,340</u>
Related advances, interest and recoveries		
Loans to Ontario Hydro	600	1,450
Interest on debentures	617	421
Recovery of interest and debenture retirements	<u>(837)</u>	<u>(531)</u>
Related advances, interest and recoveries (net)	<u>380</u>	<u>1,340</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of assets and liabilities

as at March 31, 1983 (\$ millions)

Assets

	1983	1982
Cash and temporary investments (note 1)	1,167	1,594
Advances to Ontario Hydro, secured by bonds (note 2).	5,910	5,530
Advances and investments — other corporations, boards and commissions (note 3).	4,203	4,349
Investments in water treatment and waste control facilities (at cost less recoveries) (note 4).	1,119	1,115
Loans to municipalities	368	369
Other loans and investments (note 5).	177	194
Total recorded assets	12,944	13,151
Net debt.	16,942	13,755
	<u>29,886</u>	<u>26,906</u>

Liabilities

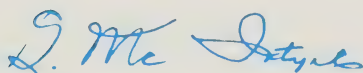
Deposits with the Province of Ontario Savings Office.	674	654
Pension funds (note 6)	2,787	2,407
Deposit, trust and reserve accounts.	872	723
Debentures and notes (note 7).	25,553	23,122
	<u>29,886</u>	<u>26,906</u>
Contingent liabilities (note 8).	10,823	8,964

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Approved on behalf of the Ministry of Treasury and Economics:



T. CAMPBELL, Deputy Treasurer of Ontario and Deputy Minister of Economics



G. McINTYRE, F.C.A., Assistant Deputy Minister, Office of the Treasury

Notes to the financial statements

(all figures in millions of dollars)

1. Cash and temporary investments

Temporary investments consist mainly of short-term securities issued or guaranteed by Canadian chartered banks and are recorded at cost. Also included are \$55 million (1982 \$53 million) of debentures and bonds issued or guaranteed by the Province, which at March 31, 1983 had a market value of \$50 million (1982 \$40 million).

2. Advances to Ontario Hydro

The Province has advanced funds to Ontario Hydro, secured by bonds with like terms and conditions to the securities issued by the Province on behalf of Ontario Hydro. The bonds consist of \$4,910 million (1982 \$4,530 million) in U.S. dollars, recorded at par, and \$1,000 million (1982 \$1,000 million) in Canadian dollars with respect to Canada Pension Plan funds. At March 31, 1983, the Canadian dollar equivalent of the U.S. dollar bonds was \$6,058 million (1982 \$5,573 million).

3. Advances and investments — other corporations, boards and commissions

	1983	1982
The Ontario Universities Capital Aid Corporation	\$1,082	\$1,113
The Ontario Education Capital Aid Corporation	1,026	1,114
Ontario Land Corporation	1,012	1,068
Ontario Energy Corporation	351	341
Development Corporations	274	272
Ontario Housing Corporation	192	190
Other	266	251
	<u>\$4,203</u>	<u>\$4,349</u>

The Ontario Universities Capital Aid Corporation received advances from the Province until March 31, 1978 to purchase bonds or debentures issued by provincial universities, colleges, the Art Gallery of Ontario, the Royal Ontario Museum and municipalities on behalf of public libraries for approved capital construction projects. The securities held by the Corporation are the obligations of the issuing institutions. Effective April 1, 1978 the loan program was replaced by grants from the Province to the institutions. During the fiscal year ending March 31, 1983, \$111 million (1982 \$112 million) was included in these grants from the Province to cover the amounts of principal and interest due to the Corporation from institutions other than municipalities. The Corporation has continued to administer the repayment of outstanding loans.

The Ontario Education Capital Aid Corporation received advances from the Province until March 31, 1980 to purchase bonds or debentures issued by school boards for capital expansion programs. The securities held by the Corporation are the obligations of the individual school boards. However under support arrangements for the repayment of advances, the Province has given grants, currently averaging 75% of approved debt charges, to local school boards. The Corporation has continued to administer loan repayments, although since April 1, 1980, no new advances have been made. The loan program has been replaced by direct grants to school boards from the Ministry of Education.

The Ontario Land Corporation assumed the assets and liabilities of the Ontario Mortgage Corporation during 1982. Of the total advances outstanding, \$502 million (1982 \$519 million) relates to Ontario Land Corporation. \$398 million (1982 \$402 million) of this amount was used to finance land holdings and is non-interest bearing. The balance of advances outstanding, \$510 million (1982 \$549 million), has been used to provide primary and secondary mortgage financing for eligible persons.

The Ontario Energy Corporation was established to invest and participate in energy related projects. The Province has made loans to and investments in the Corporation, including a \$325 million non-interest bearing demand loan advanced in 1981 to finance the purchase of one-half of approximately 25% of the common shares of Suncor Inc. by Ontario Energy Resources Limited, a wholly owned subsidiary of the Ontario Energy Corporation.

The Ontario Development Corporation and the associated Eastern Ontario Development Corporation and Northern Ontario Development Corporation provide loans and arrange for provincial guarantees of bank loans to qualified enterprises. The Province has purchased an equity of \$7 million and has advanced all funding for the lending programs of the Corporations. Through its budgetary expenditures, the Province also transfers to the Corporations an amount to defray the costs: of all administrative expenses, of loans made at low interest rates, of certain loan forgiveness, of honouring guarantees, and of loan and loss write-offs. In 1983 these transfers amounted to \$34 million (1982 \$31 million).

The Ontario Housing Corporation plans, constructs and manages residential housing projects. Financing is provided by the Province and the Canada Mortgage and Housing Corporation. Assisted housing and rent supplement operations are subsidized under a cost sharing arrangement between the Province and the Canada Mortgage and Housing Corporation. The Province's share of the subsidy for the 1982 calendar year was \$142 million (1981 \$139 million).

4. Investments in water treatment and waste control facilities

The Ministry of the Environment lets extensive contracts for the building of water and sewage systems to serve municipalities. These investments are being recovered over the life of the agreements with the municipalities. Agreements covering \$1,031 million of the investment are for provincially-owned projects which are subject to service rate billings. The proceeds from billings are used to amortize the investment over periods of up to forty years, to pay for operating costs and to provide a return on the investment. Certain other agreements provide for the accumulation of the principal portion of annual amortization payments in a sinking fund. The accumulated balance in these funds, which are included in deposit, trust and reserve accounts, was \$52 million at March 31, 1983 (1982 \$46 million). Since 1978-79, the Province has changed its policy and is phasing out investments in favour of assisting municipalities by direct grants.

5. Other loans and investments

Included in other loans and investments are Ministry of Health capital construction loans to public hospitals amounting to \$164 million (1982 \$181 million). During the current fiscal year, the Province made grants of \$14 million (1982 \$16 million) to assist public hospitals in meeting principal and interest payments. No new loans have been made since 1978 when the Ministry changed its public hospitals capital financial support program from loans to grants.

6. Pension funds

	1983	1982
Public Service Superannuation Fund	\$2,764	\$2,387
Legislative Assembly Retirement Allowances Account	23	20
	<u>\$2,787</u>	<u>\$2,407</u>

The Province maintains accounts within the Consolidated Revenue Fund for all contributions and interest earnings less pension payments for both the Public Service Superannuation Fund and Legislative Assembly Retirement Allowances Account. The amounts recorded by the Province are essentially the sole assets of these pension plans.

Based on the latest actuarial report as at December 31, 1979, the Public Service Superannuation Fund had unfunded liabilities as follows:

1. An initial unfunded liability of \$83 million, upon which an interest contribution of \$7 million is required to be credited annually in accordance with the Pension Benefits Act.
2. Residual unfunded liabilities of \$233.5 million which are required to be amortized by annual payments of \$33 million until January 1, 1990 and \$32 million on January 1, 1991 and 1992.

An actuarial review of the Legislative Assembly Retirement Allowances Account as at March 31, 1983, published June 13, 1983, revealed a deficit of \$617 thousand.

As at March 31, 1983, the Province had made all scheduled payments.

7. Debentures and notes

	1983 Payable in			1982	
Years of Maturity	Canadian Dollars	United States Dollars	Deutsche Marks	Total	Total
March 31					
1983	\$	\$	\$	\$	\$
1984	106	81	7	194	194
1985	103		3	106	106
1986	212	100	3	315	315
1987	343		3	346	346
1988	<u>773</u>	<u>200</u>	<u>3</u>	<u>976</u>	
1-5 years	1,537	381	19	1,937	1,215
6-10 years	2,862	637		3,499	3,082
11-15 years	5,273	144		5,417	5,069
16-20 years	8,808	540		9,348	8,556
21-25 years	1,969	1,526		3,495	3,061
26-30 years	62	1,699		1,761	2,029
31-35 years	74			74	73
36-40 years	<u>22</u>			<u>22</u>	<u>37</u>
	<u>\$20,607</u>	<u>\$4,927</u>	<u>\$19</u>	<u>\$25,553</u>	<u>\$23,122</u>

The U.S. dollar debenture liability of \$4,927 million (1982 \$4,548 million) is recorded at par with the Canadian dollar and except for \$17 million (1982 \$18 million), has been incurred on behalf of Ontario Hydro. At March 31, 1983 the Canadian dollar equivalent was \$6,080 million (1982 \$5,595 million). As explained in note 2, the Province holds an asset of U.S. dollar bonds of Ontario Hydro recorded at a par value of \$4,910 million (1982 \$4,530 million). These bonds with like terms and conditions to the securities issued by the Province, had a Canadian dollar equivalent as at March 31, 1983 of \$6,058 million (1982 \$5,573 million).

The Province has borrowings of 65 million (1982 89 million) Deutsche Marks recorded at \$19 million (1982 \$26 million), the Canadian dollar equivalent at the time of issue. At March 31, 1983, the Canadian dollar equivalent was \$33 million (1982 \$45 million).

8. Contingent liabilities

The Province is guarantor of certain obligations as follows:

	1983	1982
Debentures, bonds and notes		
Ontario Hydro	\$10,238	\$8,453
Other provincial crown agencies	<u>5</u>	<u>5</u>
	10,243	8,458
Bank loans guaranteed		
Corporations and individuals through		
various government programs	220	128
Other guarantees		
Corporations	<u>360</u>	<u>378</u>
	<u>\$10,823</u>	<u>\$8,964</u>

9. Teachers' Superannuation Fund

Through the budgetary expenditures of the Ministry of Education, the Province makes annual payments on account of the matching employer's share of teachers' contributions to the Teachers' Superannuation Fund. Further, the Province is committed to paying any deficiency in the Fund. The Fund is administered by the Teachers' Superannuation Commission.

Based on the latest actuarial report as at December 31, 1981, the Teachers' Superannuation Fund had unfunded liabilities as follows:

1. An initial unfunded liability of \$328 million upon which an interest contribution of \$23 million is required to be credited annually in accordance with the Pension Benefits Act.
2. Residual unfunded liabilities of \$105 million which are required to be amortized by annual payments of \$16 million until December 31, 1990.

As at March 31, 1983 the Province had made all scheduled payments.

10. Budget figures

The comparative budget figures in the financial statements are from the 1982 Ontario Budget which was presented by the Treasurer of Ontario to the Legislative Assembly on May 13, 1982.

The Contingency Fund budget figure in the Statement of Budgetary Expenditure represents a provision for the cost of salary and employee benefit revisions likely to be approved in the fiscal year. These revisions when paid, however, are charged to each ministry's appropriations.

The Short-Term Job Creation budget figure of \$171 million and the Ontario Renter-Buy budget figure of \$75 million have been allocated to the Ministries of Treasury and Economics and Municipal Affairs and Housing respectively in the Statement of Budgetary Expenditure.

11. Comparative figures

The 1982 comparative figures have been reclassified where necessary to conform with the 1983 financial statement presentation.

GOVERNMENT OF ONTARIO
MINISTRIES BY POLICY FIELD

General Government	Social Development Policy Field	Justice Policy Field	Resources Development Policy Field
OFFICE OF THE LIEUTENANT GOVERNOR	SOCIAL DEVELOPMENT POLICY	JUSTICE POLICY	RESOURCES DEVELOPMENT POLICY
OFFICE OF THE PREMIER	CITIZENSHIP AND CULTURE	ATTORNEY GENERAL	AGRICULTURE AND FOOD
CABINET OFFICE	COLLEGES AND UNIVERSITIES	CONSUMER AND COMMERCIAL RELATIONS	ENERGY
MANAGEMENT BOARD OF CABINET	COMMUNITY AND SOCIAL SERVICES	CORRECTIONAL SERVICES	ENVIRONMENT
OFFICE OF THE ASSEMBLY	EDUCATION	SOLICITOR GENERAL	INDUSTRY AND TRADE
GOVERNMENT SERVICES	HEALTH		LABOUR
INTERGOVERNMENTAL AFFAIRS			MUNICIPAL AFFAIRS AND HOUSING
NORTHERN AFFAIRS			NATURAL RESOURCES
REVENUE			TOURISM AND RECREATION
TREASURY AND ECONOMICS			TRANSPORTATION AND COMMUNICATIONS

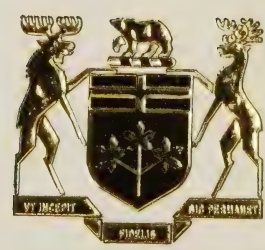


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Province of Ontario

Financial Report 1984



Province of Ontario

Financial report
1984



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Treasurer's statement

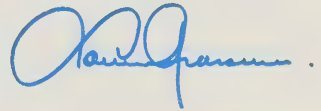
It is my pleasure to present the 1984 Financial Report of the Province of Ontario. The Report highlights the major aspects of Ontario's finances and presents summarized financial statements of the Province for the fiscal year ended March 31, 1984.

The Ontario economy recovered from the recession during fiscal 1983-84 and the Province benefitted from both the international economic resurgence and from the improved domestic circumstances. Substantial success was achieved in improving on the 1983 Budget plan as detailed in the Financial Report.

The 1983-84 Public Accounts, which will be submitted to the Ontario Legislature

later this year, may be referred to for more details. Information on the Government's financial plan is contained in the 1984 Ontario Budget.

Comments or questions on the contents of this Report are welcomed and you are invited to direct them to the Office of the Treasury in the Ministry of Treasury and Economics.



Honourable Larry Grossman, Q.C.
Treasurer of Ontario and Minister of Economics

Toronto, August 1984



The year in review

Highlights (\$ millions)

	1983-84	1982-83
Budgetary revenue	21,313	19,322
Budgetary expenditure	24,553	22,509
Non-budgetary transactions (net)	951	709
Net cash requirements	2,289	2,478
Gross provincial product	146,221	133,231

Ontario's economy

In fiscal 1983-84, economic recovery in Ontario strengthened and gained momentum. There was a significant rebound in employment; almost all of the jobs lost during the recession were regained. In most respects the provincial economy performed better than the rest of Canada.

Trends in Ontario are closely linked to those in the rest of Canada and to international developments, particularly in the United States. There were a number of favourable developments in key United States sectors which impacted positively on Ontario.

Major factors in the improved economic climate were the decline in inflation and a continuation of the Government's wage restraint programs.

Initiatives included in the 1983 Budget, such as the retail sales tax exemption on furniture and appliances and the expanded job creation programs, helped to stimulate economic activity and contributed to strong employment growth.

Revenue performance

Revenues for the year were \$423 million above the 1983 Budget forecast. Personal income tax, corporations tax and retail sales tax revenues were within 1% of the Budget estimate. Payments from the Federal government exceeded the Budget by \$333 million as a result of adjustments stemming from unusually high revisions to Gross National Product and population data by Statistics Canada. In addition, interest earnings on investments and other revenues exceeded the projections by \$221 million.

Expenditures

The Government continued its dedication to expenditure constraint. Expenditure reductions helped fund spending pressures encountered during the year. These reductions included lower public debt interest costs as a result of lower than projected net cash requirements and interest rates. In addition, in-year constraints of \$300 million permitted funding of initiatives announced in the Budget.

In-year expenditure increases were for high priority programs in the Social and Resources Policy Fields. These included \$134 million needed to meet the caseload increase in provincial income support programs and a 5% rate increase in support payments. The health care programs required an additional \$110 million mainly for the operation of hospitals and related facilities and for payments to doctors. The municipal roads and transit subsidies programs required \$70 million.

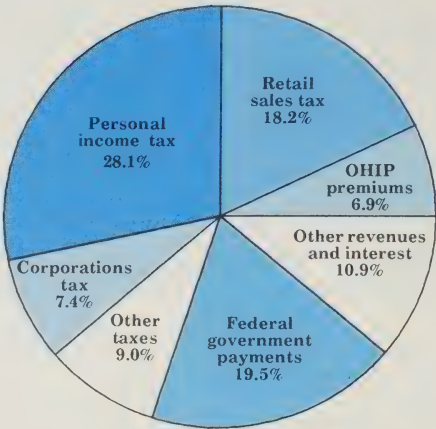
Net cash requirements

Net cash requirements of \$2,289 million were \$406 million below the Budget estimate as the in-year revenue increases were applied to reduce net cash requirements. Unavoidable expenditure pressures which arose during the year were mainly met by funds reallocated from other programs.

Ontario Hydro

The Province traditionally borrows on behalf of Ontario Hydro in United States public markets and passes the proceeds through to Ontario Hydro on like terms and conditions. The year end balance of Ontario debt issued for Ontario Hydro was \$6,082 million and this liability was totally offset by the corresponding asset of Ontario Hydro securities held by the Province. In addition, securities issued by Ontario Hydro are guaranteed by the Province and this contingent liability amounted to \$11,692 million at year end.

Major sources of budgetary revenue
Chart 1



Budgetary revenue

Budgetary revenue was \$423 million, or 2%, above the 1983 Budget forecast. The table below summarizes the performance of major revenues and Chart 1 on the opposite page depicts the sources of revenue and their comparative percentages.

Taxation

Personal income tax, corporations tax and retail sales tax revenues were modestly below the Budget estimate. A strong showing in other tax revenues, mainly gasoline and fuel taxes, partly offset these reductions.

Payments from the Government of Canada

Payments under Established Programs Financing were \$272 million over the Budget estimate primarily due to unusually high revisions to Gross National Product and population data by Statistics Canada. Total payments from the Federal government were \$4,161 million, \$333 million over the Budget estimate.

Health insurance premiums

Premiums collected under the Ontario Health Insurance Plan (OHIP) were \$1,479 million. Under a broad program of premium assistance for senior citizens, social assistance recipients and others requiring financial assistance, \$688 million in premium collection was foregone.

Interest on loans, advances and investments

Interest earnings of \$454 million on short term investments, advances to crown corporations and to municipalities in support of a variety of municipally-oriented projects, were \$59 million more than the Budget estimate due to rebuilding of liquid reserve levels and higher than projected rates of return.

Performance of major revenues

(\$ millions)

	Actual		Budget		Variance	
Taxation:						
Personal income tax	5,994		6,045		-51	
Retail sales tax	3,876		3,881		-5	
Corporations tax	1,583		1,658		-75	
Other	<u>1,910</u>	13,363	<u>1,848</u>	13,432	<u>+62</u>	-69
Government of Canada:						
Established programs financing	2,881		2,609		+272	
Other	<u>1,280</u>	4,161	<u>1,219</u>	3,828	<u>+61</u>	+333
OHIP Premiums	1,479		1,474		+5	
LCBO Profits and LLBO Revenues	756		780		-24	
Interest	454		395		+59	
Other	<u>1,100</u>	<u>3,789</u>	<u>981</u>	<u>3,630</u>	<u>+119</u>	<u>+159</u>
Total	<u>21,313</u>		<u>20,890</u>		<u>+423</u>	

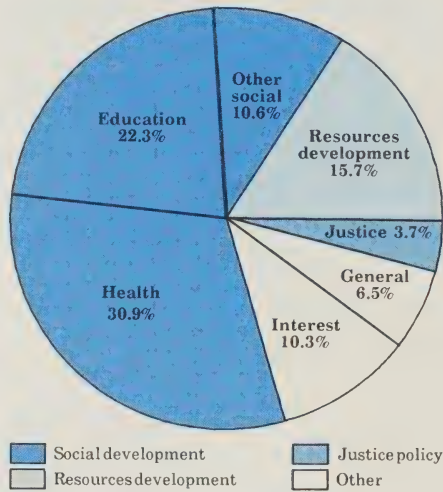
Budgetary expenditure and its major components

Total budgetary expenditure was \$24,553 million, \$265 million, or 1%, over the Budget estimate. Chart 2 depicts budgetary expenditure by policy field.

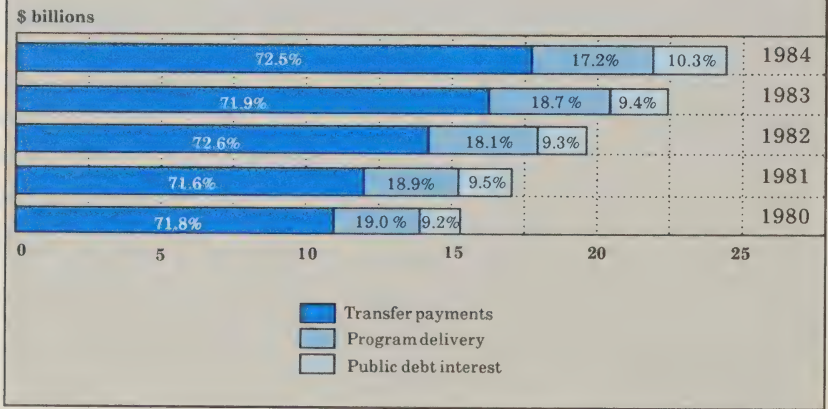
Transfer payments

Transfer payments, which include grants, subsidies and assistance largely to persons and other government bodies, represented 72.5% of budgetary expenditure and amounted to \$17,791 million. Graph 3 illustrates the five year trend of transfer payments.

Budgetary expenditure by policy field
Chart 2



Graph 3: Major components as a per cent of budgetary expenditure

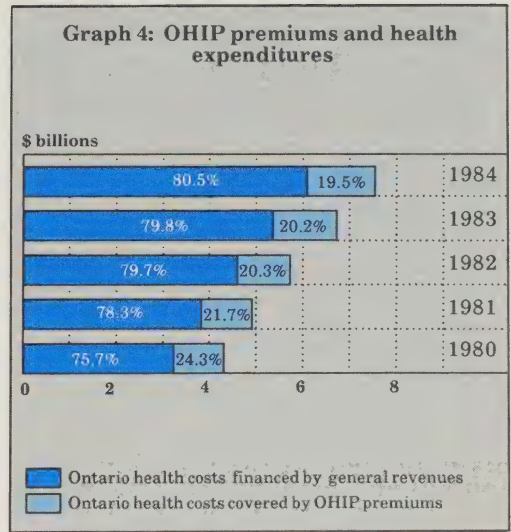


- **Health expenditure** was \$7,128 million and included:
 - \$3,761 million (53%) transferred to hospitals and related facilities for operating and capital costs;
 - \$2,149 million (30%) as payments to physicians and other health practitioners for services and health care they provided under the Ontario Health Insurance Plan (OHIP);
 - \$984 million (14%) for extended and special care facilities, ambulance and emergency health services.

In addition, pensioners, social assistance recipients and those with low incomes received OHIP premium assistance amounting to \$688 million.

As Graph 4 indicates, most of the health expenditure is funded from general revenues with OHIP premiums contributing 19.5%.

- **Educational expenditure** is administered through the Ministries of Education and Colleges and Universities. The Province has carried out its responsibility for education by supporting local school boards for primary and secondary schools as well as by funding universities, colleges and other post-secondary institutions. The combined expenditure of \$5,343 million by the two ministries included:
 - \$2,966 million as transfer payments to the 186 local school boards in support of their operating and capital financing needs;
 - \$1,892 million paid to the post-secondary educational sector for operating and capital costs.



- **Social services expenditures** totalled \$2,575 million. The services are provided mainly through the facilities of the Ministry of Community and Social Services and by their direct financial support to institutions, municipalities and various social agencies. The programs are designed to serve both adults and children. The major expenditure items were:
 - \$1,431 million for income maintenance to individuals requiring assistance on a long-term basis and subsidies to municipalities for their temporary assistance programs;
 - \$503 million towards the support of children's programs such as children's aid societies, day nurseries, mental health facilities and juvenile correctional programs.

- **Transfer payments to local governments**, designed to assist general municipal programs and to reduce revenue deficiencies of municipalities, totalled \$1,924 million. The major components were:
 - unconditional grants to municipalities in the amount of \$691 million;
 - subsidies of \$506 million to municipalities for their road programs;
 - capital and operating subsidies for municipal transportation systems of \$278 million;
 - \$161 million as direct grants to municipalities for the construction of sewage and water treatment plants and trunk sewers and for the operation of waste disposal and water treatment facilities.

Graph 5 shows the five year trend of transfer payments by functional objective.

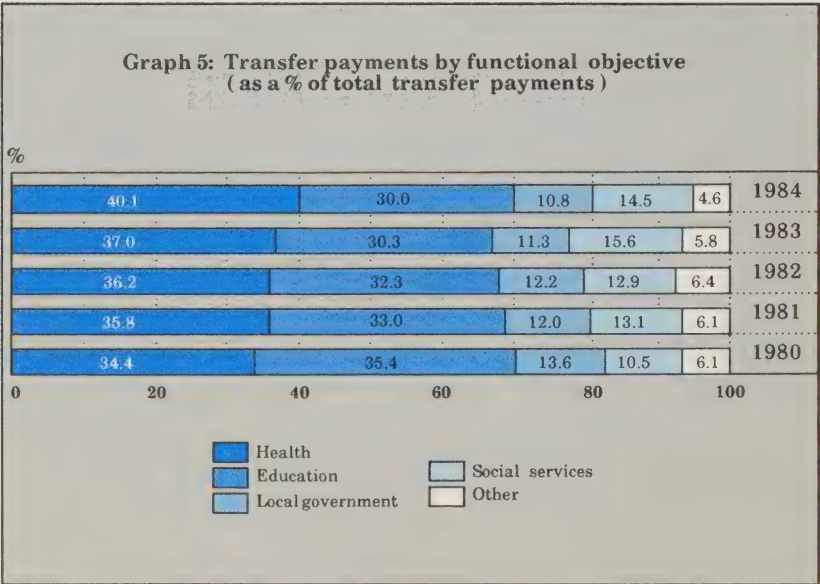
Program delivery

The Government continued its commitment to control discretionary expenditure while meeting the needs of Ontario's residents. The provincial restraint program regarding public sector wages and provincially administered prices was in effect during the fiscal year. This, together with the sound management and administrative practices, helped in constraining Ontario's spending while the standard of services remained high.

Public servants' salaries and benefits, which totalled \$2,492 million, were 10.1% of the budgetary expenditure and continued to represent a lower proportion of the total costs.

Public debt interest

Interest costs associated with the public debt were \$2,534 million, 10.3% of budgetary expenditure, up from 9.4% in the previous year reflecting increased borrowing requirements.



Non-budgetary transactions

Non-budgetary transactions relate to lending, investment, pension and related adjustment funds and trust administration functions. These activities generated net inflows of \$951 million to the Consolidated Revenue Fund.

The table below shows the non-budgetary transactions by major category.

Lending and investment

Loans and advances to, and investments in various crown agencies and municipalities amounted to \$176 million. Repayments during the year of loans and advances were \$449 million.

Pension and related adjustment funds

Net deposits into the funds totalled \$562 million. These represented employer and employee contributions and interest earnings less payments for the Public Service Superannuation Fund, the Superannuation Adjustment Fund and the Legislative Assembly Retirement Allowances Account.

Trust and special purpose accounts

The net payments into the Consolidated Revenue Fund of \$116 million encompass transactions for a variety of trust funds such as interprovincial lotteries and the motor vehicle accident claims fund.

Non-budgetary transactions (\$ millions)

	1983-84	1982-83
Loans, advances and investments in various crown agencies and municipalities - net repayments	273	160
Pension and related adjustment funds - net payments into funds	562	534
Trust and special purpose accounts - net increase in funds held	<u>116</u>	<u>15</u>
Total non-budgetary transactions	<u><u>951</u></u>	<u><u>709</u></u>

Funded debt

Provincial funded debt is defined to include those obligations that have a specified term to maturity and are secured by debt instruments including bonds, debentures, notes and treasury bills.

Provincial funded debt

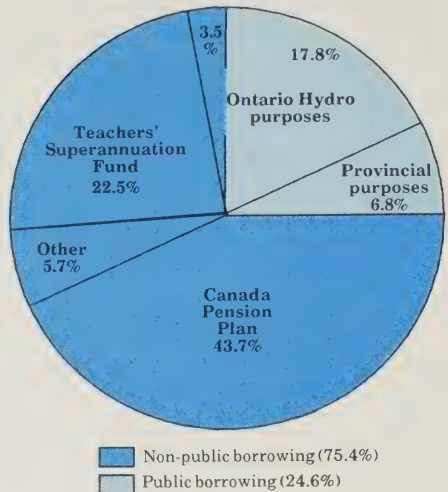
Ontario's direct funded debt of \$28,585 million comprised direct obligations issued by the Province for its own purposes and for Ontario Hydro. The direct funded debt is made up of borrowing from public and non-public sources as depicted on Chart 6.

Public sector debt

The broadest measure of funded debt in Ontario is consolidated public sector debt. As the table indicates, the consolidated funded debt included:

- Ontario's direct funded debt;
- guaranteed obligations issued by others, mainly Ontario Hydro, and guaranteed by the Province;
- debt incurred by provincial agencies, the local government sector and the university and hospital sector.

Major components of funded debt
Chart 6



The consolidated debt approach highlights the effects of Ontario's policy of centralized public sector financing.

Consolidated funded debt of the Ontario public sector

	Interim March 31/84 (\$ millions)	%	Actual March 31/83 (\$ millions)	%
Provincial Direct and Guaranteed				
Direct debt issued for				
– Provincial purposes	22,503	49.2	19,643	47.7
– Ontario Hydro	6,082	13.3	5,910	14.3
Guaranteed Debt*				
– Ontario Hydro and other	11,697	25.6	10,243	24.9
Sub-Total	40,282	88.1	35,796	86.9
Other Public Sector				
Provincial Agencies	1,752	3.8	1,799	4.4
Local Government Sector	3,541	7.8	3,454	8.4
University and Hospital Sector	154	0.3	162	0.3
Sub-Total	5,447	11.9	5,415	13.1
Total	45,729	100.0	41,211	100.0

*The guaranteed debt excludes bank loans and is net of debt accumulated by Ontario Hydro for retirement, which in 1984 was \$857 million (1983 \$781 million).

Selected financial and economic statistics

(\$ millions)

March 31	1984	1983	1982	1981	1980
Consolidated revenue fund inflows					
Budgetary revenue	21,313	19,322	17,884	15,549	14,214
Non-budgetary repayments and deposits	1,334	1,111	1,002	921	1,032
Consolidated revenue fund outflows					
Budgetary expenditure	24,553	22,509	19,651	16,836	15,346
Non-budgetary payments	383	402	738	437	484
Net cash requirements	2,289	2,478	1,503	803	584
Provincial debt transactions (net)	2,860	2,051	1,363	968	1,133
Ontario Hydro debt transactions (net)	172	380	1,340	408	214
Liabilities					
Direct funded debt issued for					
– Provincial purposes	22,503	19,643	17,592	16,215	15,196
– Ontario Hydro	6,082	5,910	5,530	4,190	3,782
Other	5,011	4,333	3,784	3,333	2,946
Total liabilities	33,596	29,886	26,906	23,738	21,924
Gross provincial product at market prices¹	146,221	133,231	127,105	111,607	100,942
Gross provincial product in constant (1971) prices¹	50,404	48,596	51,026	49,555	49,791
Personal income (Ontario)¹	129,249	120,648	109,373	93,730	83,480
Personal income (Ontario) per capita¹ (June 1 population) (in dollars)	14,661	13,842	12,681	10,937	9,820
Net cash requirements/GPP(%)	1.6	1.9	1.2	0.7	0.6
Direct funded debt issued for provincial purposes/GPP (%)	15.4	14.7	13.8	14.5	15.1
Ontario public sector funded debt/GPP(%)	31.3	30.9	29.0	30.0	31.1
Contingent liabilities	12,358	10,823	8,964	8,255	7,599

¹ Gross provincial product and personal income are calculated on a calendar year basis. The amounts appearing in a fiscal year column are for the preceding calendar year.

Financial statements 1984

Summary of significant accounting policies

The accounting basis

The financial statements, prepared using the concept of a Consolidated Revenue Fund, have been designed primarily to provide an accounting of the financial resources appropriated by the Ontario Legislature. The policies and practices followed by the Province, under which the financial transactions of government ministries are recorded and displayed as Consolidated Revenue Fund cash inflows and outflows, best accommodate reporting to the Legislature.

The cash basis of accounting used by the Province is modified to allow for an additional thirty days to pay for debts incurred during the fiscal year just ended. Cash inflows, on the other hand, are closed at March 31 for cash received or in transit. With respect to provincial crown corporations, agencies, boards and commissions, the financial statements of the Consolidated Revenue Fund reflect only the extent to which their operations have been financed or have contributed to the Fund for the year.

The accounting of the Province's transactions are recorded under three categories: Budgetary transactions, Non-budgetary transactions and Financing transactions.

Budgetary transactions

Budgetary transactions are operational activities of the Government.

Revenue

Includes income raised through taxation, premiums, fees, licences and permits, payments from the Federal Government under fiscal arrangements and shared-cost programs, and income from investments.

Expenditures

Expenditures on government programs include payments for goods and services, interest on the public debt, salaries, transfer payments to individuals, municipalities and institutions, subsidies and grants, and the acquisition and creation of fixed assets.

Non-budgetary transactions

Non-budgetary transactions are the lending, investment and trust administration activities of the Government, including loans, advances and investments, pension and related adjustment funds and other trust and special purpose accounts. These transactions affect only asset and liability accounts.

Loans, advances and investments

This category includes the government lending and investment activity in various crown corporations, agencies and municipalities. All of these loans and advances are repayable or represent equity holdings supported by the assets of the corporations.

Pension and related adjustment funds

Pension and related adjustment funds consist of all employee and employer contributions and interest earnings of the Public Service Superannuation Fund, the Superannuation Adjustment Fund and the Legislative Assembly Retirement Allowances Account and payments made from these funds.

Trust and special purpose accounts

Trust and special purpose accounts arise from the Province's trust administration activity for both government ministries and the private sector.

Financing transactions

Financing transactions are the borrowing and repayment activities of the Government, and are of two types.

Debt transactions

Debt transactions are the borrowing and repayment transactions which include obligations issued for both non-public and public sources of funds.

Ontario Hydro transactions

Ontario Hydro transactions relate to amounts borrowed by the Province on behalf of Ontario Hydro. The Province issues securities, and advances the proceeds to Ontario Hydro in exchange for bonds with like terms and conditions. Since these transactions and the ensuing retirement and debt servicing costs, are the result of a financing alternative and are not a part of the Province's own budget plan, they are classified separately.

Assets and liabilities

The assets and liabilities reported in the financial statements are financial claims which have been created by cash transactions. The assets are claims by the Consolidated Revenue Fund on other parties. As indicated in the Notes to the financial statements, under current government policy, the funds required to repay some of the advances and loans included as assets are effectively provided out of future provincial expenditure appropriations. The liabilities are claims by other parties on the Consolidated Revenue Fund. Since expenditures on fixed assets do not represent financial claims on other parties and are not considered to differ from any other service to the public, they are not reported as assets but are expensed as budgetary items in the year of acquisition.

Debentures, notes and treasury bills are recorded as liabilities at the face value of the debt instrument. Discount, premium and commission expenses are treated as current year budgetary transactions. The general resources of the Province are used for the continued orderly retirement of debt and no sinking funds are maintained for this purpose.

The contingent liabilities of the Province consist of guarantees by the Treasurer of Ontario and material claims against the Crown. Other significant commitments and liabilities are disclosed in Notes to the financial statements.

The net debt of the Province is the excess of liabilities over financial assets, representing the accumulation of all budgetary deficits and surpluses since Confederation. The year-to-year change in net debt is the amount by which budgetary revenues exceed or are less than budgetary expenditures.

Statement of consolidated revenue fund transactions

for the year ended March 31, 1984 (\$ millions)

	Budget 1984	Actual 1984	Actual 1983
Budgetary transactions			
Revenue	20,890	21,313	19,322
Expenditure	<u>24,288</u>	<u>24,553</u>	<u>22,509</u>
Budgetary deficit	3,398	3,240	3,187
Non-budgetary transactions (net)			
Loans, advances and investments	95	273	160
Pension and related adjustment funds	557	562	534
Trust and special purpose accounts	<u>51</u>	<u>116</u>	<u>15</u>
Non-budgetary surplus	<u>703</u>	<u>951</u>	<u>709</u>
Net cash requirements	<u>2,695</u>	<u>2,289</u>	<u>2,478</u>
Financing			
Debt transactions			
Proceeds of loans net of retirements	2,813	2,860	2,051
Ontario Hydro transactions			
Proceeds of loans net of retirements		172	380
Related advances, interest and recoveries		<u>(172)</u>	<u>(380)</u>
(Increase) decrease in cash and temporary investments	<u>(118)</u>	<u>(571)</u>	<u>427</u>
Total financing	<u>2,695</u>	<u>2,289</u>	<u>2,478</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of budgetary revenue

for the year ended March 31, 1984 (\$ millions)

	Budget 1984	Actual 1984	Actual 1983
Taxation			
Personal income tax.....	6,045	5,994	5,858
Retail sales tax.....	3,881	3,876	3,420
Corporations tax.....	1,658	1,583	1,361
Gasoline tax.....	880	932	848
Tobacco tax.....	533	542	448
Fuel tax.....	193	212	184
Land transfer tax.....	130	132	100
Race tracks tax.....	70	62	65
Mining profits tax.....	35	33	27
Succession duty.....	12	6	11
Public utilities income tax.....	(10)	(13)	(14)
Other.....	5	4	4
	<u>13,432</u>	<u>13,363</u>	<u>12,312</u>
Other revenue			
Premiums - Ontario Health Insurance Plan.....	1,474	1,479	1,365
Profits from crown corporations and boards			
Liquor Control Board of Ontario.....	550	520	533
Ontario Lottery Corporation.....	114	118	117
Vehicle registration fees.....	270	287	280
Liquor Licence Board of Ontario revenues.....	230	236	210
Other fees and licences.....	200	215	195
Fines and penalties.....	75	103	76
Utility service charges.....	70	97	84
Royalties.....	75	83	73
Sales and rentals.....	65	56	62
Other.....	112	141	122
	<u>3,235</u>	<u>3,335</u>	<u>3,117</u>
Government of Canada			
Established Programs Financing			
Cash Contribution.....	2,293	2,548	1,894
Extended Health Care Services.....	316	333	288
Canada Assistance Plan.....	795	862	774
National Training Agreement.....	166	157	152
Other.....	258	261	237
	<u>3,828</u>	<u>4,161</u>	<u>3,345</u>
Interest on loans, advances and investments	<u>395</u>	<u>454</u>	<u>548</u>
Total budgetary revenue	<u>20,890</u>	<u>21,313</u>	<u>19,322</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of budgetary expenditure

for the year ended March 31, 1984 (\$ millions)

	Budget 1984	Actual 1984	Actual 1983
Social development policy field			
Health	7,512	7,582	6,731
Education	3,436	3,434	3,161
Community and Social Services	2,261	2,402	2,124
Colleges and Universities	2,045	2,035	1,884
Citizenship and Culture	194	205	189
Social Development Policy	12	13	5
	<u>15,460</u>	<u>15,671</u>	<u>14,094</u>
Resources development policy field			
Transportation and Communications	1,476	1,541	1,446
Municipal Affairs and Housing	1,062	1,024	1,025
Natural Resources	393	408	374
Agriculture and Food	265	264	282
Environment	244	254	267
Tourism and Recreation	111	110	117
Energy	98	91	102
Industry and Trade	75	76	148
Labour	71	73	68
Resources Development Policy	3	3	3
	<u>3,798</u>	<u>3,844</u>	<u>3,832</u>
Justice policy field			
Solicitor General	294	291	281
Attorney General	239	261	237
Correctional Services	219	226	206
Consumer and Commercial Relations	102	131	106
Justice Policy	1	1	1
	<u>855</u>	<u>910</u>	<u>831</u>
General government			
Revenue	630	620	612
Treasury and Economics	432	381	401
Government Services	373	367	384
Northern Affairs	158	157	180
Office of the Assembly	31	35	32
Management Board of Cabinet	17	14	13
Intergovernmental Affairs	7	7	7
Other	13	13	13
	<u>1,661</u>	<u>1,594</u>	<u>1,642</u>
Public debt interest	2,610	2,534	2,110
Contingency fund (note 10)	204	-	-
Constraints (note 10)	(300)	-	-
	<u>24,288</u>	<u>24,553</u>	<u>22,509</u>
Total budgetary expenditure	<u>24,288</u>	<u>24,553</u>	<u>22,509</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of non-budgetary transactions

for the year ended March 31, 1984 (\$ millions)

	Budget 1984	Actual 1984	Actual 1983
Loans, advances and investments			
REPAYMENTS BY:			
Corporations, boards and commissions			
Crop Insurance Commission of Ontario	—	11	—
Development Corporations	22	55	25
Ontario Education Capital Aid Corporation	92	92	87
Ontario Land Corporation	29	75	67
Ontario Northland Transportation Commission	—	15	—
Ontario Universities Capital Aid Corporation	34	34	32
Other	8	13	11
Municipalities	43	43	34
Water treatment and waste control facilities	47	94	68
Other loans and investments	16	17	17
	<u>291</u>	<u>449</u>	<u>341</u>
PAYMENTS TO:			
Corporations, boards and commissions			
Board of Industrial Leadership and			
Development (BILD)	15	17	13
Crop Insurance Commission of Ontario	—	—	16
Development Corporations	30	27	14
Ontario Energy Corporation	39	29	11
Ontario Housing Corporation	4	4	4
Ontario Land Corporation	5	6	11
Ontario Municipal Improvement Corporation	4	—	6
Other	—	—	1
Municipalities	30	24	33
Water treatment and waste control facilities	69	68	72
Other loans and investments	—	1	—
	<u>196</u>	<u>176</u>	<u>181</u>
Net decrease in loans, advances and investments	<u>95</u>	<u>273</u>	<u>160</u>
Pension and related adjustment funds			
DEPOSITS TO:			
Public Service Superannuation Fund	535	513	485
Superannuation Adjustment Fund	210	219	190
Legislative Assembly Retirement Allowances Account ..	1	4	4
	<u>746</u>	<u>736</u>	<u>679</u>
PAYMENTS FROM:			
Public Service Superannuation Fund	135	124	109
Superannuation Adjustment Fund	53	49	35
Legislative Assembly Retirement Allowances Account ..	1	1	1
	<u>189</u>	<u>174</u>	<u>145</u>
Net increase in pension and related adjustment funds	<u>557</u>	<u>562</u>	<u>534</u>
Trust and special purpose accounts			
DEPOSITS TO:			
Province of Ontario Savings Office-net increase	25	13	20
Interprovincial lotteries trust fund	42	99	45
Motor vehicle accident claims fund	—	10	9
Other	21	27	17
	<u>88</u>	<u>149</u>	<u>91</u>
PAYMENTS FROM:			
Interprovincial lotteries trust fund	17	12	47
Motor vehicle accident claims fund	17	14	17
Other	3	7	12
	<u>37</u>	<u>33</u>	<u>76</u>
Net increase in trust and special purpose accounts	<u>51</u>	<u>116</u>	<u>15</u>
Total non-budgetary transactions	<u>703</u>	<u>951</u>	<u>709</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of debt transactions

for the year ended March 31, 1984 (\$ millions)

	Budget 1984	Actual 1984	Actual 1983
Proceeds of loans			
NON-PUBLIC			
Canada Pension Plan Investment Fund	1,240	1,201	1,236
Teachers' Superannuation Fund	850	786	945
PUBLIC			
Debentures and notes	500	500	—
Treasury bills (net)	500	650	—
Total proceeds of loans	<u>3,090</u>	<u>3,137</u>	<u>2,181</u>
Retirements of loans			
NON-PUBLIC	10	10	84
PUBLIC			
Debentures and notes	267	267	46
Total retirements of loans	<u>277</u>	<u>277</u>	<u>130</u>
Debt transactions (net)	<u>2,813</u>	<u>2,860</u>	<u>2,051</u>

Statement of Ontario Hydro transactions

for the year ended March 31, 1984 (\$ millions)

	1984	1983
Proceeds of loans (public)	300	600
Retirements of loans (public)	<u>(128)</u>	<u>(220)</u>
Net increase in loans for Ontario Hydro purposes	<u>172</u>	<u>380</u>
Related advances, interest and recoveries		
Advances to Ontario Hydro	300	600
Interest	672	617
Recovery of interest and loan retirements	<u>(800)</u>	<u>(837)</u>
Related advances, interest and recoveries (net)	<u>172</u>	<u>380</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

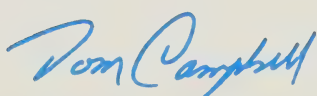
Statement of financial position

as at March 31, 1984 (\$ millions)

	1984	1983
Assets		
Cash and temporary investments (note 1)	1,738	1,167
Advances to Ontario Hydro, secured by bonds (note 2)	6,082	5,910
Advances and investments - other corporations, boards and commissions (note 3)	3,992	4,203
Investments in water treatment and waste control facilities (at cost less recoveries) (note 4)	1,093	1,119
Loans to municipalities	348	368
Other loans and investments (note 5)	161	177
Total financial assets	13,414	12,944
Net debt	20,182	16,942
	<u>33,596</u>	<u>29,886</u>
Liabilities		
Deposits with the Province of Ontario Savings Office	687	674
Pension and related adjustment funds (note 6)	4,093	3,531
Trust and special purpose accounts	231	128
Treasury bills	650	-
Debentures and notes (note 7)	27,935	25,553
	<u>33,596</u>	<u>29,886</u>
Contingent liabilities (note 8)	<u>12,358</u>	<u>10,823</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Approved on behalf of the Ministry of Treasury and Economics:



T. CAMPBELL, Deputy Treasurer of Ontario and Deputy Minister of Economics



D.S. MCCOLL, Assistant Deputy Minister, Office of the Treasury

Notes to the financial statements

(all figures in millions of dollars)

1. Cash and temporary investments

Temporary investments consist mainly of short-term securities issued or guaranteed by Canadian chartered banks and are recorded at cost. Also included are \$36 million (1983 \$55 million) of debentures and bonds issued or guaranteed by the Province, which at March 31, 1984 had a market value of \$28 million (1983 \$50 million).

2. Advances to Ontario Hydro

The Province has advanced funds to Ontario Hydro, secured by bonds with like terms and conditions to the securities issued by the Province on behalf of Ontario Hydro. The bonds consist of \$5,082 million (1983 \$4,910 million) in U.S. dollars, recorded at par, and \$1,000 million (1983 \$1,000 million) in Canadian dollars with respect to Canada Pension Plan funds. At March 31, 1984, the Canadian dollar equivalent of the U.S. dollar bonds was \$6,487 million (1983 \$6,058 million).

3. Advances and investments - other corporations, boards and commissions

	1984	1983
Ontario Universities Capital Aid Corporation	\$1,048	\$1,082
Ontario Land Corporation	943	1,012
Ontario Education Capital Aid Corporation	934	1,026
Ontario Energy Corporation	379	351
Development Corporations	263	274
Ontario Housing Corporation	191	192
Other	234	266
	<u>\$3,992</u>	<u>\$4,203</u>

The Ontario Universities Capital Aid Corporation received advances from the Province until March 31, 1978 to purchase bonds or debentures issued by provincial universities, colleges, the Art Gallery of Ontario, the Royal Ontario Museum and municipalities on behalf of public libraries for approved capital construction projects. The securities held by the Corporation are the obligations of the issuing institutions. Effective April 1, 1978 the loan program was replaced by grants from the Province to the institutions. During the fiscal year ending March 31, 1984, \$111 million (1983 \$111 million) was included in these grants from the Province to cover the amounts of principal and interest due to the Corporation from institutions other than municipalities. The Corporation has continued to administer the repayment of outstanding loans.

The Ontario Land Corporation has received advances from the Province for the acquisition and development of land and for the financing of mortgages and loans. Of the total advances outstanding, \$398 million (1983 \$398 million) is non-interest bearing and has been used to finance land holdings.

The Ontario Education Capital Aid Corporation received advances from the Province until March 31, 1980 to purchase bonds or debentures issued by school boards for capital expansion programs. The securities held by the Corporation are the obligations of the individual school boards. Effective April 1, 1980 the loan program was replaced by direct grants from the Province to the school boards. Under the support arrangements for the repayment of these advances, the Province has given grants, currently averaging 75% of the approved debt charges, to local school boards. The Corporation has continued to administer the repayments of outstanding loans.

The Ontario Energy Corporation was established to invest and participate in energy related projects. The Province has made loans to and investments in the Corporation, including a \$325 million non-interest bearing demand loan advanced in 1981 to finance one-half of the purchase price for 25% of the common shares of Suncor Inc. by Ontario Energy Resources Limited, a wholly owned subsidiary of the Ontario Energy Corporation.

The Ontario Development Corporation and the associated Eastern Ontario Development Corporation and Northern Ontario Development Corporation provide loans and arrange for provincial guarantees of bank loans to qualified enterprises. The Province has an equity investment of \$7 million in the Corporations and has advanced all funding for their lending programs. Through its budgetary expenditures, the Province also transfers to the Corporations an amount to defray the costs of: all administrative expenses, loans made at low interest rates, certain loan forgiveness, honouring guarantees, and loan and loss write-offs. In 1984 these transfers amounted to \$27 million (1983 \$31 million).

The Ontario Housing Corporation plans, constructs and manages residential housing projects. Financing is provided by the Province and the Canada Mortgage and Housing Corporation.

4. Investments in water treatment and waste control facilities

The Ministry of the Environment lets extensive contracts for the building of water and sewage systems to serve municipalities. These investments are being recovered over the life of the agreements with the municipalities. Agreements covering \$1,004 million of the investment are for provincially-owned projects which are subject to service rate billings. The proceeds from billings are used to amortize the investment over periods of up to forty years, to pay for operating costs and to provide a return on the investment. Certain other agreements provide for the accumulation of the principal portion of annual amortization payments in a sinking fund. The accumulated balance in these funds, which are included in trust and special purpose accounts was \$53 million at March 31, 1984 (1983 \$52 million). Since 1978-79, the Province has changed its policy and is phasing out investments in favour of assisting municipalities by direct grants.

5. Other loans and investments

Included in other loans and investments are Ministry of Health capital construction loans to public hospitals amounting to \$148 million (1983 \$164 million). During the current fiscal year, the Province made grants of \$11 million (1983 \$14 million) to assist public hospitals in meeting principal and interest payments. No new loans have been made since 1978 when the Ministry changed its public hospitals capital financial support program from loans to grants.

6. Pension and related adjustment funds

The Province maintains accounts within the Consolidated Revenue Fund for all contributions and interest earnings less payments for the Public Service Superannuation Fund, the Superannuation Adjustment Fund and the Legislative Assembly Retirement Allowances Account. The amounts recorded by the Province are essentially the sole assets of these plans.

Based on the latest actuarial report as at December 31, 1982, the Public Service Superannuation Fund had unfunded liabilities as follows:

1. An initial unfunded liability of \$83 million, upon which an interest contribution of \$7 million is required to be credited annually in accordance with the Pension Benefits Act.
2. Residual unfunded liabilities of \$38 million which are required to be amortized by annual payments of \$7 million until January 1, 1992.

As at March 31, 1984, the Province had made all scheduled payments.

An actuarial review of the Legislative Assembly Retirement Allowances Account as at March 31, 1984, revealed a surplus of \$777 thousand.

	1984	1983
Public Service Superannuation Fund	\$3,152	\$2,764
Superannuation Adjustment Fund	915	744
Legislative Assembly Retirement Allowances Account	26	23
	<u>\$4,093</u>	<u>\$3,531</u>

7. Debentures and notes

	1984 Payable in			1983	
Years of Maturity March 31	Canadian Dollars	United States Dollars	Deutsche Marks	Total	Total
1984	\$	\$	\$	\$	\$
1984	103		3	106	106
1985	212	100	3	315	315
1986	343		3	346	346
1987	773	200	3	976	976
1988	919			919	
1-5 years	2,350	300	12	2,662	1,937
6-10 years	3,382	835		4,217	3,499
11-15 years	5,780	260		6,040	5,417
16-20 years	9,512	597		10,109	9,348
21-25 years	1,670	1,996		3,666	3,495
26-30 years	66	1,094		1,160	1,761
31-35 years	71			71	74
36-40 years	10			10	22
	<u>\$22,841</u>	<u>\$5,082</u>	<u>\$12</u>	<u>\$27,935</u>	<u>\$25,553</u>

The U.S. dollar debenture liability of \$5,082 million (1983 \$4,927 million) is recorded at par with the Canadian dollar and has been incurred on behalf of Ontario Hydro. At March 31, 1984 the Canadian dollar equivalent was \$6,487 million (1983 \$6,080 million). As explained in note 2, the Province has an offsetting asset of Ontario Hydro bonds with like terms and conditions to the securities issued by the Province.

The Province has borrowings of 40 million (1983 65 million) Deutsche Marks recorded at \$12 million (1983 \$19 million), the Canadian dollar equivalent at the time of issue. At March 31, 1984, the Canadian dollar equivalent was \$20 million (1983 \$33 million).

8. Contingent liabilities

Obligations guaranteed by the Province:

	1984	1983
Debentures, bonds and notes		
Ontario Hydro	\$11,692	\$10,238
Other provincial crown agencies	5	5
	<u>11,697</u>	<u>10,243</u>
Bank loans guaranteed		
Corporations and individuals		
through various government programs	209	220
Other guarantees		
Corporations	452	360
	<u>\$12,358</u>	<u>\$10,823</u>

Claims against the Crown:

Claims over \$50 million arising from legal action either in progress or threatened against the Crown in respect of breach of contract, damages to persons and property and like items totalled \$285 million. The amounts have been estimated and because the outcome of these actions is uncertain, the likely cost to the Province, if any, cannot be determined.

9. Teachers' Superannuation Fund

Through budgetary expenditures, the Province makes annual payments matching teachers' contributions to the Teachers' Superannuation Fund. Further, the Province is committed to paying any deficiency in the Fund. The Fund is administered by the Teachers' Superannuation Commission. Based on the latest actuarial report as at December 31, 1981, the Teachers' Superannuation Fund had unfunded liabilities as follows:

1. An initial unfunded liability of \$328 million upon which an interest contribution of \$23 million is required to be credited annually in accordance with the Pension Benefits Act.
2. Residual unfunded liabilities of \$105 million which are required to be amortized by annual payments of \$16 million until December 31, 1990.

As at March 31, 1984 the Province had made all scheduled payments.

10. Budget figures

The comparative budget figures in the financial statements are from the 1983 Ontario Budget which was presented by the Treasurer of Ontario to the Legislative Assembly on May 10, 1983.

The Contingency Fund budget figure in the Statement of Budgetary Expenditure represents a provision for the cost of salary and employee benefit revisions likely to be approved in the fiscal year. These revisions when paid, however, are charged to each ministry's appropriations.

The Constraint budget figure in the Statement of Budgetary Expenditure represents in-year expenditure savings which were specifically identified and allocated to individual ministries during the year.

11. Comparative figures

The 1983 comparative figures have been reclassified where necessary to conform with the 1984 financial statement presentation.

Comparative figures have not been reported for Contingent liabilities - Claims against the Crown, since the information is not available in this first year of reporting such items.

GOVERNMENT OF ONTARIO
MINISTRIES BY POLICY FIELD

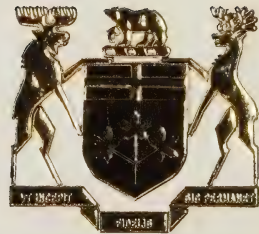
General Government	Social Development Policy Field	Justice Policy Field	Resources Development Policy Field
OFFICE OF THE LIEUTENANT GOVERNOR	SOCIAL DEVELOPMENT POLICY	JUSTICE POLICY	RESOURCES DEVELOPMENT POLICY
OFFICE OF THE PREMIER	CITIZENSHIP AND CULTURE	ATTORNEY GENERAL	AGRICULTURE AND FOOD
CABINET OFFICE	COLLEGES AND UNIVERSITIES	CONSUMER AND COMMERCIAL RELATIONS	ENERGY
MANAGEMENT BOARD OF CABINET	COMMUNITY AND SOCIAL SERVICES	CORRECTIONAL SERVICES	ENVIRONMENT
OFFICE OF THE ASSEMBLY	EDUCATION	SOLICITOR GENERAL	INDUSTRY AND TRADE
GOVERNMENT SERVICES	HEALTH		LABOUR
INTERGOVERNMENTAL AFFAIRS			MUNICIPAL AFFAIRS AND HOUSING
NORTHERN AFFAIRS			NATURAL RESOURCES
REVENUE			TOURISM AND RECREATION
TREASURY AND ECONOMICS			TRANSPORTATION AND COMMUNICATIONS



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General inquiries regarding the Financial Report should be directed to:

Ministry of Treasury and Economics
Office of the Treasury
Frost Building North
Toronto, Ontario M7A 1Y7
(416) 965-6568 / 965-5273

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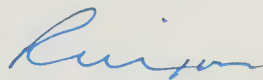
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Treasurer's statement

It is my pleasure to present the 1985 Financial Report of the Province of Ontario. The Report highlights the major aspects of Ontario's finances and presents summarized financial statements of the Province for the fiscal year ended March 31, 1985.

The Ontario economy was strong during fiscal 1984-85 with real Gross Provincial Product growth of approximately 6% and inflation below 4%. This continued growth of Ontario's economy generated increasing employment opportunities.

The 1984-85 Public Accounts, which will be submitted to the Ontario Legislature later this year, provides further financial information.

A handwritten signature in blue ink, appearing to read "R. Nixon", is positioned above the printed name.

Honourable Robert F. Nixon,
Treasurer of Ontario

Toronto, August 1985

The year in review

Highlights (\$ millions)

	1984-85	1983-84
Budgetary revenue	23,765	21,313
Budgetary expenditure	26,431	24,553
Non-budgetary transactions (net)	964	951
Net cash requirements	1,702	2,289
Gross provincial product	162,098	148,008

Ontario's economy

In fiscal 1984-85, Ontario's economy was in the midst of a sound and substantial recovery. The recovery in output was accompanied by strong employment growth of 4.5% and a decline in inflation, to under 4% over the year.

Revenue performance

Revenues for the year were \$289 million above the 1984 Budget forecast. Corporations tax and retail sales tax revenues were above the Budget estimate resulting from the continuing strength of Ontario's economy. Personal income tax revenue was below the Budget following a re-estimate of Ontario's 1984 entitlements by the federal government. This reduction was partly offset by a compensating increase of \$321 million in payments from the federal government.

In addition, interest earnings on investments and other revenues exceeded the projections by \$138 million.

Expenditures

Expenditure reductions helped fund spending pressures encountered during the year. These reductions included lower public debt interest costs due to lower than projected net cash requirements and interest rates. In-year expenditure increases were for high priority programs in the Social and Resources Policy fields. These included \$54 million needed to meet the caseload increase in provincial income support programs. The health care programs required an additional \$81 million mainly for the operation of hospitals and related facilities and for payments to doctors. The municipal transit program required an additional \$29 million for rapid transit construction.

Net cash requirements

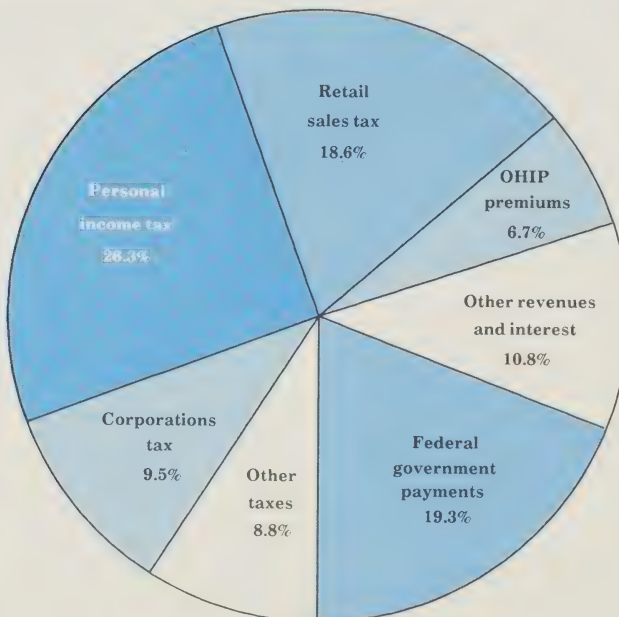
Net cash requirements of \$1,702 million were \$337 million below the Budget estimate as the in-year revenue increases were applied to reduce net cash requirements. Unavoidable expenditure pressures which arose during the year were mainly met by funds reallocated from other programs.

Ontario Hydro

The Province traditionally borrows on

behalf of Ontario Hydro in United States public markets and passes the proceeds through to Ontario Hydro on like terms and conditions. The year end balance of Ontario debt issued for Ontario Hydro was Canadian \$8,206 million and this liability was totally offset by the corresponding asset of Ontario Hydro securities held by the Province. In addition, securities issued by Ontario Hydro are guaranteed by the Province and this contingent liability amounted to Canadian \$13,430 million at year end.

Major sources of budgetary revenue
Chart 1



Budgetary revenue

Budgetary revenue of \$23,765 million was \$289 million, or 1.2% over the 1985 Budget forecast as summarized in the following table. The major sources of budgetary revenue, as well as the comparative percentages, are shown in Chart 1.

Taxation

Corporations income tax and retail sales tax revenues strongly exceeded the Budget estimate and mostly offset the reduction in personal income tax, which resulted from the Federal government re-estimate of 1984 entitlements.

Payments from the Government of Canada

Total payments from the Federal government of \$4,578 million exceeded the Budget estimate by \$321 million. Payments under Established Programs Financing were \$231 million over the Budget estimate primarily due to revisions to the personal income tax estimate and prior years' adjustments.

Health insurance premiums

Premiums collected under the Ontario Health Insurance Plan (OHIP) were \$1,586 million. A broad program of premium assistance is in place for senior citizens, social assistance recipients and others requiring financial assistance, under which \$724 million in premium collection was foregone.

Interest on loans, advances and investments

Interest earnings of \$505 million on short-term investments, advances to crown corporations and to municipalities in support of a variety of municipally-oriented projects were \$65 million above the Budget estimate due to better than expected earnings on short-term deposits and higher than originally projected levels of liquid reserves.

Performance of major revenues (\$ millions)

	Actual		Budget		Variance	
Taxation:						
Personal income tax	6,253		6,952		-699	
Retail sales tax	4,426		4,239		+ 187	
Corporations tax	2,248		1,942		+ 306	
Other	<u>2,096</u>	15,023	<u>2,060</u>	15,193	<u>+ 36</u>	-170
Government of Canada:						
Established programs financing	3,131		2,900		+ 231	
Other	<u>1,447</u>	4,578	<u>1,357</u>	4,257	<u>+ 90</u>	+ 321
OHIP Premiums	1,586		1,597		-11	
LCBO Profits and LLBO Revenues	- 855		805		+ 50	
Interest	505		440		+ 65	
Other	<u>1,218</u>	<u>4,164</u>	<u>1,184</u>	<u>4,026</u>	<u>+ 34</u>	<u>+ 138</u>
Total		<u>23,765</u>		<u>23,476</u>		<u>+ 289</u>

Budgetary expenditure and its major components

Total budgetary expenditure was \$26,431 million, \$72 million over the Budget estimate. Chart 2 depicts budgetary expenditure by policy field.

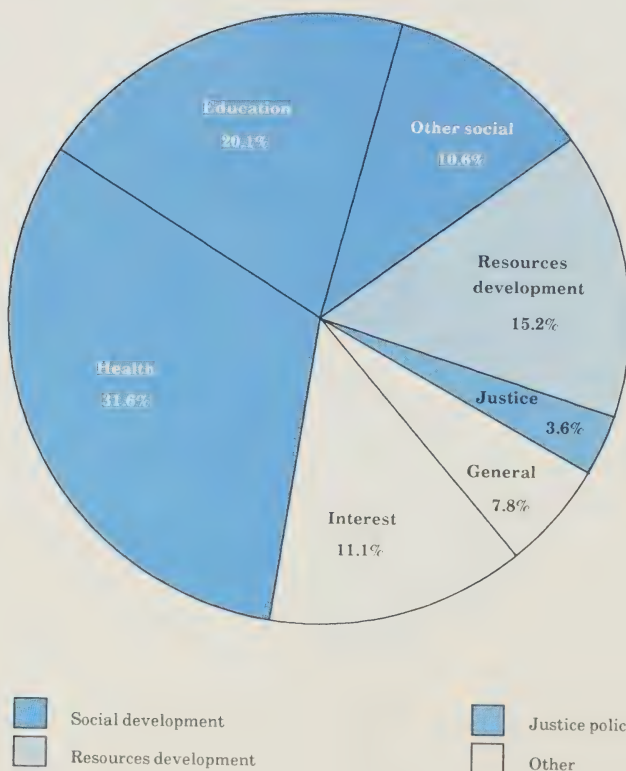
and other government bodies, represented 72.5% of budgetary expenditure and amounted to \$19,174 million. Graph 3 illustrates the five year trend of transfer payments.

Transfer payments

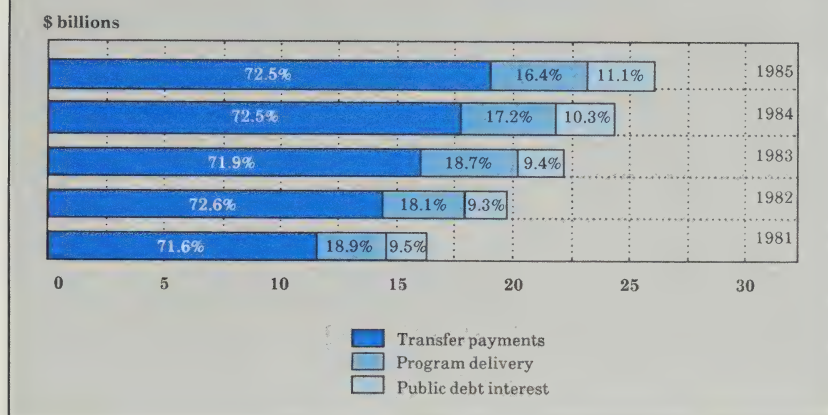
Transfer payments, which include grants, subsidies and assistance largely to persons

Budgetary expenditure by policy field

Chart 2



Graph 3: Major components as a per cent of budgetary expenditure



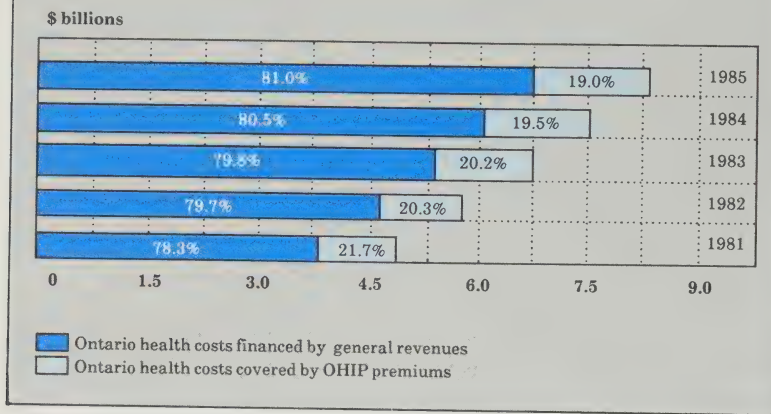
- **Health expenditure** was \$7,877 million and included:

- \$4,130 million (52%) transferred to hospitals and related facilities for operating and capital costs;
- \$2,416 million (31%) as payments to physicians and other health practitioners for services and health care they provided under the Ontario Health Insurance Plan (OHIP);

- \$1,051 million (13%) for extended and special care facilities, ambulance and emergency health services.

In addition, pensioners, social assistance recipients and those with low incomes received OHIP premium assistance amounting to \$724 million.

Graph 4: OHIP premiums and health expenditures



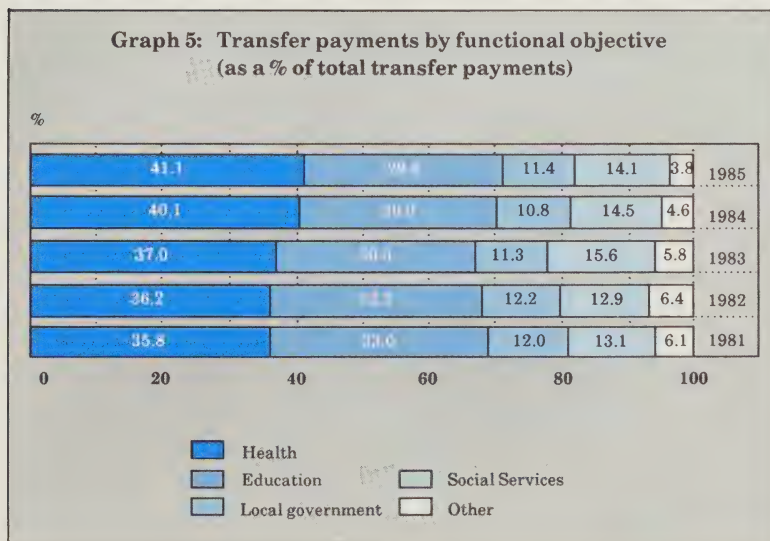
As Graph 4 indicates, most of the health expenditure is funded from general revenues with OHIP premiums contributing 19%.

universities, colleges and other post-secondary institutions. The combined expenditure of \$5,676 million by all ministries included:

- **Educational expenditure** is administered mainly through the Ministries of Education and Colleges and Universities. The Province has carried out its responsibility for education by supporting local school boards for primary and secondary schools as well as by funding
 - \$3,080 million as transfer payments to the 186 local school boards in support of their operating and capital financing needs;
 - \$1,941 million paid to the post-secondary educational sector for operating and capital costs.

- **Social services expenditures** totalled \$2,701 million. The services are provided mainly through the facilities of the Ministry of Community and Social Services and by their direct financial support to institutions, municipalities and various social agencies. The programs are designed to serve both adults and children. The major expenditure items were:
 - \$1,575 million for income maintenance to individuals requiring assistance on a long-term basis and subsidies to municipalities for their temporary assistance programs;
 - \$524 million towards the support of children's programs such as children's aid societies, day nurseries, mental health facilities and juvenile correctional programs.
- **Transfer payments to local governments**, designed to assist general municipal programs and to reduce revenue deficiencies of municipalities, totalled \$2,191million. The major components were:
 - unconditional grants to municipalities in the amount of \$719 million;
 - subsidies of \$507 million to municipalities for their road programs;
 - capital and operating subsidies for municipal transportation systems of \$321 million;
 - \$189 million as direct grants to municipalities for the construction of sewage and water treatment plants and trunk sewers and for the operation of waste disposal and water treatment facilities.

Graph 5 shows the five year trend of transfer payments by functional objective.



Program delivery

A voluntary provincial restraint program on public sector wages and provincially administered prices was in effect during the fiscal year. Public servants' salaries and benefits, which are the major components of program delivery, totalled \$2,581 million, or 9.8% of the budgetary

expenditure, a decrease from 10.1% in the previous year.

Public debt interest

Interest costs associated with the public debt were \$2,922 million, 11.1% of budgetary expenditure, up from 10.3% in the previous year.

Non-budgetary transactions

Non-budgetary transactions relate to lending, investment, pension and related adjustment funds and trust administration functions. These activities generated net inflows of \$964 million to the Consolidated Revenue Fund.

The table below shows the non-budgetary transactions by major category.

Lending and investment

Loans and advances to, and investments in, various crown agencies and municipalities amounted to \$169 million. Repayments during the year of loans and advances were \$435 million.

Pension and related adjustment funds

Net deposits into the funds totalled \$615 million. These represented employer and

employee contributions and interest earnings less payments for the Public Service Superannuation Fund, the Superannuation Adjustment Fund, the Provincial Judges Benefits Fund, the Ontario Provincial Police Supplementary Benefit Account and the Legislative Assembly Retirement Allowances Account.

Trust and special purpose accounts

The net payments into the Consolidated Revenue Fund of \$83 million encompass transactions for a variety of trust funds such as interprovincial lotteries and the motor vehicle accident claims fund.

Non-budgetary transactions (\$ millions)

	1984-85	1983-84
Loans, advances and investments in various crown agencies and municipalities - net repayments	266	273
Pension and related adjustment funds - net payments into funds	615	562
Trust and special purpose accounts - net increase in funds held	<u>83</u>	<u>116</u>
Total non-budgetary transactions	<u>964</u>	<u>951</u>

Funded debt

Provincial funded debt is defined to include those obligations that have a specified term to maturity and are secured by debt instruments including bonds, debentures, notes and treasury bills.

Provincial funded debt

Ontario's direct funded debt of \$32,799 million comprised \$24,593 million of direct obligations issued by the Province for its own purposes and \$8,206 million for Ontario Hydro. The direct funded debt is made up of borrowing from public and non-public sources as depicted on Chart 6.

Public sector debt

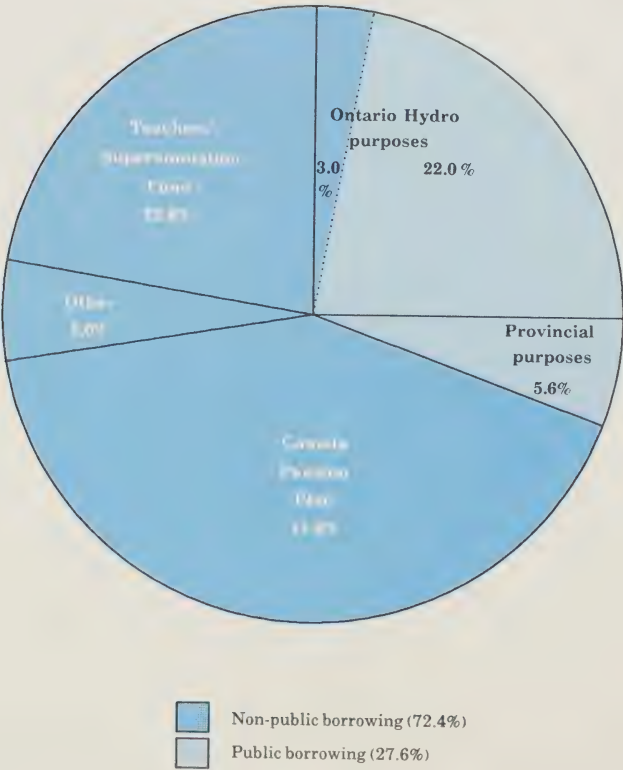
The broadest measure of funded debt in Ontario is consolidated public sector debt. As the table indicates, the consolidated funded debt included:

- Ontario's direct funded debt;
- guaranteed obligations issued by Ontario Hydro and guaranteed by the Province;
- debt incurred by provincial agencies, the local government sector and the university and hospital sector.

The consolidated debt approach highlights the effects of Ontario's policy of centralized public sector financing.

Major components of funded debt

Chart 6



Consolidated funded debt of the Ontario public sector

	Interim March 31/85 (\$ millions)	%	Actual March 31/84 (\$ millions)	%
Provincial Direct and Guaranteed				
Direct debt issued for				
– Provincial purposes	24,593	47.7	22,503	47.6
– Ontario Hydro	8,206	15.9	7,487	15.8
Guaranteed Debt*				
– Ontario Hydro	13,430	26.1	12,044	25.5
Sub-Total	46,229	89.7	42,034	88.9
Other Public Sector				
Provincial Agencies	1,713	3.4	1,758	3.7
Local Government Sector	3,425	6.6	3,354	7.1
University and Hospital Sector	153	0.3	161	0.3
Sub-Total	5,291	10.3	5,273	11.1
Total	51,520	100.0	47,307	100.0

*The guaranteed debt excludes bank loans and is net of debt accumulated by Ontario Hydro for retirement, which in 1985 was \$920 million (1984 \$857 million).

Selected financial and economic statistics

(\$ millions)

March 31	1985	1984	1983	1982	1981
Consolidated revenue fund inflows					
Budgetary revenue	23,765	21,313	19,322	17,884	15,549
Non-budgetary repayments and deposits	1,431	1,334	1,111	1,002	921
Consolidated revenue fund outflows					
Budgetary expenditure	26,431	24,553	22,509	19,651	16,836
Non-budgetary payments	467	383	402	738	437
Net cash requirements	1,702	2,289	2,478	1,503	803
Provincial debt transactions (net)	2,090	2,860	2,051	1,363	968
Ontario Hydro debt transactions (net)	719	429	485	1,694	373
Liabilities					
Direct funded debt issued for					
– Provincial purposes	24,593	22,503	19,643	17,592	16,215
– Ontario Hydro	8,206	7,487	7,058	6,573	4,879
Other	5,709	5,011	4,333	3,784	3,333
Total liabilities	38,508	35,001	31,034	27,949	24,427
Gross provincial product at market prices¹	162,098	148,008	133,536	127,408	112,066
Gross provincial product in constant (1971) prices¹	54,341	51,020	48,470	51,024	49,631
Personal income (Ontario)¹	141,799	130,333	121,091	109,672	93,868
Personal income (Ontario) per capita¹ (June 1 population) (in dollars)	15,849	14,768	13,893	12,716	10,953
Net cash requirements/GPP(%)	1.0	1.5	1.9	1.2	0.7
Direct funded debt issued for provincial purposes/GPP (%)	15.2	15.2	14.7	13.8	14.5
Ontario public sector funded debt/GPP(%)	31.8	31.9	30.4	30.0	32.7
Contingent liabilities	14,220	12,711	11,122	9,284	8,553

¹ Gross provincial product and personal income are calculated on a calendar year basis. The amounts appearing in a fiscal year column are for the preceding calendar year.

**Financial
statements
1985**

Summary of significant accounting policies

The accounting basis

The financial statements, prepared using the concept of a Consolidated Revenue Fund, have been designed primarily to provide an accounting of the financial resources appropriated by the Ontario Legislature. The policies and practices followed by the Province, under which the financial transactions of government ministries are recorded and displayed as Consolidated Revenue Fund cash inflows and outflows, best accommodate reporting to the Legislature.

The cash basis of accounting used by the Province is modified to allow for an additional thirty days to pay for debts incurred during the fiscal year just ended. Cash inflows, on the other hand, are closed at March 31 for cash received or in transit. With respect to provincial crown corporations, agencies, boards and commissions, the financial statements of the Consolidated Revenue Fund reflect only the extent to which their operations have been financed or have contributed to the Fund for the year.

The accounting of the Province's transactions is recorded under three categories: Budgetary transactions, Non-budgetary transactions and Financing transactions.

Budgetary transactions

Budgetary transactions are operational activities of the Government.

Revenue

Includes revenue raised through taxation, premiums, fees, licences and permits, payments from the Federal Government under fiscal arrangements and shared-cost programs, and income from investments.

Expenditures

Expenditures on government programs include payments for goods and services, interest on the public debt, salaries, transfer payments to individuals, municipalities and institutions, subsidies and grants, and the acquisition and creation of fixed assets.

Non-budgetary transactions

Non-budgetary transactions are the lending, investment and trust administration activities of the Government, including loans, advances and investments, pension and related adjustment funds and other trust and special purpose accounts. These transactions affect only asset and liability accounts.

Loans, advances and investments

This category includes the government lending and investment activity in various crown corporations,

agencies and municipalities. All of these loans and advances are repayable or represent equity holdings supported by the assets of the corporations.

Pension and related adjustment funds

Pension and related adjustment funds consist of all employee and employer contributions and interest earnings of the Public Service Superannuation Fund, the Superannuation Adjustment Fund, the Legislative Assembly Retirement Allowances Account, the Provincial Judges Benefits Fund, and the Ontario Provincial Police Supplementary Benefit Account and payments made from these funds.

Trust and special purpose accounts

Trust and special purpose accounts arise from the Province's trust administration activity for both government ministries and the private sector.

Financing transactions

Financing transactions are the borrowing and repayment activities of the Government, and are of two types.

Debt transactions

Debt transactions are the borrowing and repayment transactions which include obligations issued for both non-public and public sources of funds.

Ontario Hydro transactions

Ontario Hydro transactions relate to amounts borrowed by the Province on behalf of Ontario Hydro. The Province issues securities, and advances the proceeds to Ontario Hydro in exchange for bonds with like terms and conditions. Since these transactions and the ensuing retirement and debt servicing costs are the result of a financing alternative and are not a part of the Province's own budget plan, they are classified separately.

Assets, net debt and liabilities

Assets

Advances to Ontario Hydro represent the face value of funds advanced to Ontario Hydro, stated in Canadian dollars using the exchange rate in effect on the reporting date. All other assets are claims by the Consolidated Revenue Fund on other parties and have been created by cash transactions. As indicated in the Notes to the financial statements, under current government policy, the funds required to repay some of the advances and loans included as assets are effectively provided out of provincial expenditure appropriations. The liabilities are claims by other parties on the Consolidated Revenue Fund. Since

expenditures on fixed assets do not represent financial claims on other parties and are not considered to differ from any other service to the public, they are not reported as assets but are expensed as budgetary items in the year of acquisition.

Net debt

The net debt of the Province is the excess of liabilities over financial assets, representing the accumulation of all budgetary deficits and surpluses since Confederation. The year-to-year change in net debt is the amount by which budgetary revenues exceed or are less than budgetary expenditures.

Liabilities

Funded debt

Funded debt comprises obligations that have a specified term to maturity and are secured by debt instruments. Included are debentures, notes and treasury bills which are recorded at the face value of the debt instrument, or in the case of the foreign currency denominated debt, at the Canadian dollar equivalent. Discount, premium and commission expenses are treated as current year budgetary transactions. The general resources of the Province are used for the continued orderly retirement of debt and no sinking funds are maintained for this purpose.

Other liabilities

Other liabilities include pension and related adjustment funds, deposits with the Province of Ontario Savings Office and trust and special purpose accounts as described under Non-budgetary transactions.

Debentures and notes issued for Ontario Hydro are

stated in Canadian dollars using the exchange rate in effect on the reporting date.

Contingent liabilities

The contingent liabilities of the Province consist of guarantees by the Treasurer of Ontario and material claims against the Crown. The guarantees denominated in foreign currencies, are translated to Canadian dollars at year end rates of exchange.

Foreign currency translation

Commencing in fiscal year 1984-85, proceeds and retirements of loans denominated in foreign currencies are recorded as Financing transactions at the Canadian dollar equivalent using the rate of exchange prevailing on the day of the transaction. Debt payable and contingent liabilities are translated to Canadian dollars at year end rates of exchange.

In the case of outstanding debt issued on behalf of Ontario Hydro, the offsetting advances to Ontario Hydro are similarly translated at year end rates of exchange and, therefore, there is no exchange gain or loss to be recorded. In the case of outstanding debt incurred for provincial purposes, exchange gains or losses are recorded as Budgetary transactions.

Prior to 1984-85, proceeds and retirements of loans were recorded as Financing transactions, at par in the case of U.S. currency and at the Canadian dollar equivalent translated at the exchange rate in effect at the time of issue for other foreign currencies. Any resulting exchange gains or losses on debt incurred for provincial purposes were recorded as Budgetary transactions when realized. Contingent liabilities were translated at the rates of exchange at the time of issue except for amounts maturing within one year from the statement date, which were translated at the year end rates of exchange.


Statement of financial position

as at March 31, 1985 (\$ millions)

	1985	1984
Assets		
Cash and temporary investments (note 1)	2,126	1,738
Advances and investments - corporations, boards and commissions (note 2)	3,777	3,992
Investments in water treatment and waste control facilities (at cost less recoveries) (note 3)	1,075	1,093
Loans to municipalities	331	348
Other loans and investments (note 4)	145	161
	<u>7,454</u>	<u>7,332</u>
Advances to Ontario Hydro, secured by bonds (notes 5 & 10) . . .	8,206	7,487
Total financial assets	<u>15,660</u>	<u>14,819</u>
Net debt	<u>22,848</u>	<u>20,182</u>
	<u>38,508</u>	<u>35,001</u>
Liabilities		
Funded debt		
Debentures and notes for provincial purposes (note 6)	23,943	21,853
Treasury Bills	650	650
	<u>24,593</u>	<u>22,503</u>
Pension and related adjustment funds (note 7)	4,708	4,093
Deposits with the Province of Ontario Savings Office	655	687
Trust and special purpose accounts	346	231
Total liabilities for provincial purposes	<u>30,302</u>	<u>27,514</u>
Debentures and notes issued for Ontario Hydro (notes 6 & 10)	8,206	7,487
	<u>38,508</u>	<u>35,001</u>
Contingent liabilities (note 8)	<u>14,220</u>	<u>12,711</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements

Approved on behalf of the Ministry of Treasury and Economics:



B. A. SMITH, Deputy Treasurer of Ontario and Deputy Minister of Economics



D.S. McCOLL, Assistant Deputy Minister, Office of the Treasury

Statement of consolidated revenue fund transactions

for the year ended March 31, 1985 (\$ millions)

	Budget 1985	Actual 1985	Actual 1984
Budgetary transactions			
Revenue	23,476	23,765	21,313
Expenditure	<u>26,359</u>	<u>26,431</u>	<u>24,553</u>
Budgetary deficit	2,883	2,666	3,240
Non-budgetary transactions (net)			
Loans, advances and investments	134	266	273
Pension and related adjustment funds	606	615	562
Trust and special purpose accounts	<u>104</u>	<u>83</u>	<u>116</u>
Non-budgetary transactions (net)...	<u>844</u>	<u>964</u>	<u>951</u>
Net cash requirements	<u>2,039</u>	<u>1,702</u>	<u>2,289</u>
Financing			
Debt transactions			
Proceeds of loans net of retirements	2,073	2,090	2,860
Ontario Hydro transactions (note 10)			
Net proceeds of loans and foreign exchange differential		719	429
Related advances, interest, foreign exchange differential and recoveries		<u>(719)</u>	<u>(429)</u>
Increase in cash and temporary investments	<u>34</u>	<u>388</u>	<u>571</u>
Total financing	<u>2,039</u>	<u>1,702</u>	<u>2,289</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of budgetary revenue

for the year ended March 31, 1985 (\$ millions)

	Budget 1985	Actual 1985	Actual 1984
Taxation			
Personal income tax	6,952	6,253	5,994
Retail sales tax	4,239	4,426	3,876
Corporations tax	1,942	2,248	1,583
Gasoline tax	976	961	932
Tobacco tax	583	583	542
Fuel tax	228	225	212
Land transfer tax	141	139	132
Race tracks tax	63	61	62
Mining profits tax	45	65	33
Succession duty	6	6	6
Public utilities income tax	13	51	(13)
Other	5	5	4
	<u>15,193</u>	<u>15,023</u>	<u>13,363</u>
Other revenue			
Premiums - Ontario Health Insurance Plan	1,597	1,586	1,479
Profits from crown corporations and boards			
Liquor Control Board of Ontario	554	602	520
Ontario Lottery Corporation	118	122	118
Vehicle registration fees	329	329	287
Liquor Licence Board of Ontario revenues	251	253	236
Other fees and licences	228	223	215
Fines and penalties	96	85	103
Utility service charges	92	111	97
Royalties	146	136	83
Sales and rentals	78	80	56
Other	97	132	141
	<u>3,586</u>	<u>3,659</u>	<u>3,335</u>
Government of Canada			
Established Programs Financing			
Cash Contribution	2,545	2,772	2,548
Extended Health Care Services	355	359	333
Canada Assistance Plan	909	938	862
National Training Agreement	156	168	157
Other	292	341	261
	<u>4,257</u>	<u>4,578</u>	<u>4,161</u>
Interest on loans, advances and investments	<u>440</u>	<u>505</u>	<u>454</u>
Total budgetary revenue	<u>23,476</u>	<u>23,765</u>	<u>21,313</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of budgetary expenditure

for the year ended March 31, 1985 (\$ millions)

	Budget 1985	Actual 1985	Actual 1984
Social development policy field			
Health	8,242	8,340	7,582
Education	3,223	3,219	3,087
Community and Social Services	2,540	2,605	2,402
Colleges and Universities	2,103	2,101	2,035
Citizenship and Culture	172	184	205
Social Development Policy	12	11	13
	<u>16,292</u>	<u>16,460</u>	<u>15,324</u>
Resources development policy field			
Transportation and Communications	1,539	1,587	1,541
Municipal Affairs and Housing	1,022	1,019	1,024
Natural Resources	422	437	408
Agriculture and Food	310	306	264
Environment	250	282	254
Tourism and Recreation	123	160	110
Energy	88	80	91
Industry and Trade	78	80	76
Labour	73	74	73
Resources Development Policy	4	3	3
	<u>3,909</u>	<u>4,028</u>	<u>3,844</u>
Justice policy field			
Solicitor General	307	309	291
Attorney General	266	278	261
Correctional Services	228	245	226
Consumer and Commercial Relations	120	122	131
Justice Policy	2	1	1
	<u>923</u>	<u>955</u>	<u>910</u>
General government			
Revenue	637	652	620
Treasury and Economics	863	792	728
Government Services	384	379	367
Northern Affairs	159	158	157
Office of the Assembly	34	37	35
Management Board of Cabinet	18	17	14
Intergovernmental Affairs	8	10	7
Other	21	21	13
	<u>2,124</u>	<u>2,066</u>	<u>1,941</u>
Public debt interest	2,953	2,922	2,534
Contingency Fund (note 11)	158	—	—
Total budgetary expenditure	<u>26,359</u>	<u>26,431</u>	<u>24,553</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of non-budgetary transactions

for the year ended March 31, 1985 (\$ millions)

	Budget 1985	Actual 1985	Actual 1984
Loans, advances and investments			
REPAYMENTS BY:			
Corporations, boards and commissions			
Crop Insurance Commission of Ontario	-	24	11
Development Corporations	23	41	55
Ontario Education Capital Aid Corporation	98	98	92
Ontario Land Corporation	52	75	75
Ontario Universities Capital Aid Corporation	36	36	34
Other	12	28	28
Municipalities	40	42	43
Water treatment and waste control facilities	55	74	94
Other loans and investments	9	17	17
	<u>325</u>	<u>435</u>	<u>449</u>
PAYMENTS TO:			
Corporations, boards and commissions			
Development Corporations	63	51	44
Ontario Energy Corporation	28	28	29
Other	10	9	11
Municipalities	30	25	24
Water treatment and waste control facilities	60	56	68
	<u>191</u>	<u>169</u>	<u>176</u>
Net decrease in loans, advances and investments	<u>134</u>	<u>266</u>	<u>273</u>
Pension and related adjustment funds			
DEPOSITS TO:			
Public Service Superannuation Fund	590	565	513
Superannuation Adjustment Fund	230	248	219
Other	4	31	4
	<u>824</u>	<u>844</u>	<u>736</u>
PAYMENTS FROM:			
Public Service Superannuation Fund	150	164	124
Superannuation Adjustment Fund	67	63	49
Other	1	2	1
	<u>218</u>	<u>229</u>	<u>174</u>
Net increase in pension and related adjustment funds	<u>606</u>	<u>615</u>	<u>562</u>
Trust and special purpose accounts			
DEPOSITS TO:			
Interprovincial lotteries trust fund.	95	128	99
Motor vehicle accident claims fund.	9	11	10
Other	8	13	27
	<u>112</u>	<u>152</u>	<u>136</u>
PAYMENTS FROM:			
Interprovincial lotteries trust fund.	22	21	12
Motor vehicle accident claims fund.	8	9	14
Province of Ontario Savings Office - net decrease (increase)	(25)	32	(13)
Other	3	7	7
	<u>8</u>	<u>69</u>	<u>20</u>
Net increase in trust and special purpose accounts	<u>104</u>	<u>83</u>	<u>116</u>
Total non-budgetary transactions	<u>844</u>	<u>964</u>	<u>951</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of debt transactions

for the year ended March 31, 1985 (\$ millions)

	Budget 1985	Actual 1985	Actual 1984
Proceeds of loans			
NON-PUBLIC			
Canada Pension Plan Investment Fund	1,220	1,134	1,201
Teachers' Superannuation Fund	960	1,065	786
PUBLIC			
Debentures and notes	-	-	500
Treasury bills (net)	-	-	650
Total proceeds of loans	<u>2,180</u>	<u>2,199</u>	<u>3,137</u>
Retirements of loans			
NON-PUBLIC	11	11	10
PUBLIC			
Debentures and notes	96	98	267
Total retirements of loans	<u>107</u>	<u>109</u>	<u>277</u>
Debt transactions (net)	<u>2,073</u>	<u>2,090</u>	<u>2,860</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Statement of Ontario Hydro transactions

for the year ended March 31, 1985 (\$ millions)

	1985	1984
Proceeds of loans (public)	319	368
Retirements of loans (public)	(80)	(160)
Net proceeds (note 10)	239	208
Foreign exchange differential (note 6)	480	221
Net increase in debentures and notes for Ontario Hydro purposes	<u>719</u>	<u>429</u>
Related advances, interest and recoveries (note 10)		
Advances to Ontario Hydro	319	368
Interest	874	800
Recovery of interest and loan retirements	(954)	(960)
Net advances	239	208
Foreign exchange differential (note 6)	480	221
Related advances, interest, foreign exchange differential and recoveries (net)	<u>719</u>	<u>429</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Notes to the financial statements

(all figures in millions of dollars)

1. Cash and temporary investments

Temporary investments consist mainly of marketable short-term securities issued by Canadian chartered banks and provincial and federal governments and are recorded at cost. Also included are \$28 million (1984 \$36 million) of debentures and bonds issued or guaranteed by the Province, which at March 31, 1985 had a market value of \$24 million (1984 \$28 million).

2. Advances and investments - corporations, boards and commissions

	1985	1984
Ontario Universities Capital Aid Corporation	\$1,012	\$1,048
Ontario Land Corporation	872	943
Ontario Education Capital Aid Corporation	836	934
Ontario Energy Corporation	407	379
Development Corporations	273	263
Ontario Housing Corporation	183	191
Other	194	234
	<u>\$3,777</u>	<u>\$3,992</u>

The Ontario Universities Capital Aid Corporation received advances from the Province until March 31, 1978 to purchase bonds or debentures issued by provincial universities, colleges, the Art Gallery of Ontario, the Royal Ontario Museum and municipalities on behalf of public libraries for approved capital construction projects. The securities held by the Corporation are the obligations of the issuing institutions. Effective April 1, 1978 the loan program was replaced by grants from the Province to the institutions. During the fiscal year ending March 31, 1985, \$111 million (1984 \$111 million) was included in these grants from the Province to cover the amounts of principal and interest due to the Corporation from institutions other than municipalities. The Corporation has continued to administer the repayment of outstanding loans.

The Ontario Land Corporation has received advances from the Province for the acquisition and development of land and for the financing of mortgages and loans. Of the total advances outstanding, \$395 million (1984 \$398 million) is non-interest bearing and has been used to finance land holdings.

The Ontario Education Capital Aid Corporation received advances from the Province until March 31, 1980 to purchase bonds or debentures issued by school boards for capital expansion programs. The securities held by the Corporation are the obligations of the individual school boards. Effective April 1, 1980 the loan program was replaced by direct grants from the Province to the school boards. Under the support arrangements for the repayment of these advances, the Province has given grants, currently averaging 75% of the approved debt charges, to local school boards. The Corporation has continued to administer the repayments of outstanding loans.

The Ontario Energy Corporation was established to invest and participate in energy related projects. The Province has made loans to and investments in the Corporation, including a \$325 million non-interest bearing demand loan advanced in 1981 to finance one-half of the purchase price for 25% of the common shares of Suncor Inc. by Ontario Energy Resources Limited, a wholly owned subsidiary of the Ontario Energy Corporation.

The Ontario Development Corporation and the associated Eastern Ontario Development Corporation and Northern Ontario Development Corporation provide loans and arrange for provincial guarantees of bank loans to qualified enterprises. The Province has an equity investment of \$7 million in the Corporations and has advanced all funding for their lending programs. Through its budgetary expenditures, the Province also transfers to the Corporations an amount to defray the costs of: all administrative expenses, loans made at low interest rates, certain loan forgiveness, honouring guarantees, and loan and loss write-offs. In 1985 these transfers amounted to \$27 million (1984 \$27 million).

The Ontario Housing Corporation plans, constructs and manages residential housing projects. Financing is provided by the Province and the Canada Mortgage and Housing Corporation.

3. Investments in water treatment and waste control facilities

The Ministry of the Environment lets extensive contracts for the building of water and sewage systems to serve municipalities. These investments are being recovered over the life of the agreements with the municipalities. Agreements covering \$991 million of the investment are for provincially-owned projects which are subject to service rate billings. The proceeds from billings are used to amortize the investment over periods of up to forty years, to pay for operating costs and to provide a return on the investment. Certain other agreements provide for the accumulation of the principal portion of annual amortization payments in a sinking fund. The accumulated balance in these funds, which are included in trust and special purpose accounts was \$47 million at March 31, 1985 (1984 \$53 million). Since 1978-79, the Province has changed its policy and is phasing out investments in favour of assisting municipalities by direct grants.

4. Other loans and investments

Included in other loans and investments are Ministry of Health capital construction loans to public hospitals amounting to \$132 million (1984 \$148 million). During the current fiscal year, the Province made grants of \$10 million (1984 \$11 million) to assist public hospitals in meeting principal and interest payments. No new loans have been made since 1978 when the Ministry changed its public hospitals capital financial support program from loans to grants.

5. Advances to Ontario Hydro

The Province has advanced funds to Ontario Hydro, secured by bonds with like terms and conditions to the securities issued by the Province on behalf of Ontario Hydro. The bonds consist of U.S. \$5,272 million (1984 U.S. \$5,082 million), and Canadian \$1,000 million (1984 Canadian \$1,000 million) with respect to Canada Pension Plan funds. At March 31, 1985 bonds denominated in U.S. dollars are recorded at \$7,206 million (1984 \$6,487 million), the Canadian dollar equivalent using the exchange rate in effect at March 31.

6. Debentures and notes

Debentures and notes payable, for Provincial purposes and for Ontario Hydro, expressed in Canadian dollars, are summarized by years of maturity in the following tables.

FOR PROVINCIAL PURPOSES

Years of Maturity March 31	1985	1984
1985	\$	\$106
1986	215	215
1987	346	346
1988	776	776
1989	919	919
1990	453	
1-5 years	2,709	2,362
6-10 years	3,790	3,382
11-15 years	6,780	5,780
16-20 years	8,611	8,512
21-25 years	1,917	1,670
26-30 years	69	66
31-35 years	64	71
36-40 years	3	10
	<u>\$23,943</u>	<u>\$21,853</u>

FOR ONTARIO HYDRO

Years of Maturity March 31	Canadian	1985 United States	Total	1984 Total
1986	\$	\$ 136	\$ 136	\$ 128
1987				
1988		273	273	255
1989				
1990		274	274	
1-5 years		683	683	383
6-10 years		1,208	1,208	1,066
11-15 years		542	542	332
16-20 years	1,000	1,067	2,067	1,762
21-25 years		2,630	2,630	2,548
26-30 years		1,076	1,076	1,396
	<u>\$1,000</u>	<u>\$7,206</u>	<u>\$8,206</u>	<u>\$7,487</u>

The U.S. dollar debenture liability has been recorded at the Canadian dollar equivalent using the exchange rate in effect at March 31.

The foreign exchange differential of \$480 million (1984 \$221 million), in the Statement of Ontario Hydro transactions, consists of:

- \$460 million (1984 \$210 million) attributable to the revaluation of the liability at the end of the previous fiscal year using the exchange rate in effect at March 31, 1985; and
- \$20 million (1984 \$11 million) attributable to the revaluation of the in-year transactions using the exchange rate in effect at March 31, 1985.

As explained in Note 5, the Province has an offsetting asset of Ontario Hydro bonds with like terms and conditions to the securities issued by the Province.

7. Pension and related adjustment funds

The Province maintains accounts within the Consolidated Revenue Fund for all contributions and interest earnings less payments regarding the following pension and related adjustment funds and accounts. The amounts recorded by the Province are essentially the sole assets of these plans.

	1985	1984
Public Service Superannuation Fund	\$3,554	\$3,152
Superannuation Adjustment Fund	1,099	915
Legislative Assembly Retirement Allowances Account	29	26
Provincial Judges Benefits Fund	25	
Ontario Provincial Police Supplementary Benefit Account	1	
	<u>\$4,708</u>	<u>\$4,093</u>

Based on the latest actuarial report as at December 31, 1982, the Public Service Superannuation Fund had unfunded liabilities as follows:

1. An initial unfunded liability of \$83 million, upon which an interest contribution of \$7 million is required to be credited annually in accordance with the Pension Benefits Act.
2. Residual unfunded liabilities of \$38 million which are required to be amortized by annual payments of \$7 million until January 1, 1992.

As at March 31, 1985, the Province had made all scheduled payments.

An actuarial review of the Legislative Assembly Retirement Allowances Account as at March 31, 1984, revealed a surplus of \$777 thousand.

8. Contingent liabilities

Obligations guaranteed by the Province:

	1985	1984
Debentures, bonds and notes		
Ontario Hydro	\$13,430	\$12,044
Bank loans guaranteed		
Corporations and individuals through various government programs	251	209
Other guarantees		
Corporations	534	453
Provincial crown agencies	5	5
	<u>\$14,220</u>	<u>\$12,711</u>

Claims against the Crown:

There are four claims outstanding over \$50 million each arising from legal action either in progress or threatened against the Crown in respect of breach of contract, damages to persons and property and like items. The likely cost to the Province, if any, cannot be determined because the outcome of these actions is uncertain.

9. Teachers' Superannuation Fund

Through budgetary expenditure, the Province makes annual payments matching teachers' contributions to the Teachers' Superannuation Fund. Further, the Province is committed to paying any deficiency in the Fund. The Fund is administered by the Teachers' Superannuation Commission. Based on the latest actuarial report as at December 31, 1981, the Teachers' Superannuation Fund had unfunded liabilities as follows:

1. An initial unfunded liability of \$328 million upon which an interest contribution of \$23 million is required to be credited annually in accordance with the Pension Benefits Act.
2. Residual unfunded liabilities of \$105 million which are required to be amortized by annual payments of \$16 million until December 31, 1990.

As at March 31, 1985, the Province had made all scheduled payments.

10. Change in accounting policy

As described in the Summary of significant accounting policies, a change in accounting policy on foreign currency translation took place during 1984-85. This reflects changes which have occurred in the relationship among currencies over time and is intended to produce a more representative value of the assets and liabilities at the statement date. This change does not significantly impact on the operations. Previous year's balances and transactions have been restated to correspond with this policy.

11. Budget figures

The comparative budget figures in the financial statements are from the 1984 Ontario Budget which was presented by the Treasurer of Ontario to the Legislative Assembly on May 15, 1984.

The Contingency Fund budget figure in the Statement of Budgetary Expenditure represents a provision for the cost of salary and employee benefit revisions likely to be approved in the fiscal year. These revisions when paid, however, are charged to each ministry's appropriations.

12. Comparative figures

The 1984 comparative figures have been reclassified where necessary to conform with the 1985 financial statement presentation.



Ontario

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PROVINCE
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FINANCIAL
REPORT
1986



PROVINCE
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1986

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Ministry of Treasury and Economics
Office of the Treasury
Frost Building North
Toronto, Ontario M7A 1Y7
(416) 965-6568/965-5273

Photograph of the Trillium

Ontario's flower emblem by William Revnolds.

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Photographie de la trille

Emblème floral de l'Ontario, par William Reynolds.



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TREASURER'S STATEMENT

I am pleased to present the 1986 Financial Report of the Province of Ontario. It highlights the major aspects of Ontario's finances and presents summarized financial statements of the Province for the fiscal year ended March 31, 1986.

The Ontario economy was strong during calendar 1985 with real Gross Provincial Product growth of 5.2% and inflation in the 4% range during fiscal year 1985-86. This buoyant economic climate generated increased employment opportunities and, as a result, employment rose by 171,000 during 1985-86.

Increased consumer confidence, as reflected in the growth of retail sales and the strong housing market, played a key role in sustaining the Province's economic performance.

The 1985-86 Public Accounts will be submitted to the Ontario Legislature later this year with more detailed financial information.

Comments or questions on the contents of this Report are welcomed. You are invited to send them to the Office of the Treasury in the Ministry of Treasury and Economics.

Robert F. Nixon,
Treasurer of Ontario

Toronto, August 1986



Ontario

THE YEAR IN REVIEW

Highlights
(\$ MILLIONS)



	1985-86*	1985-86**	1984-85
Budgetary revenue	26,059	26,059	23,765
Budgetary expenditure	28,789	32,460	26,431
Non-budgetary contribution (net)	1,125	4,291	964
Net cash requirements	1,605	2,110	1,702
Gross provincial product	177,059	177,059	163,145

* Before extraordinary adjustments

** After extraordinary adjustments

Ontario's economy

In fiscal 1985-86, Ontario's economy was healthy. This was due to several factors, including increased business non-residential investment, strong residential construction and continued growth in consumer spending. The recent patterns of the provincial economy are set out in the following graphs and commentary.

Real Gross Provincial Product (GPP) growth.

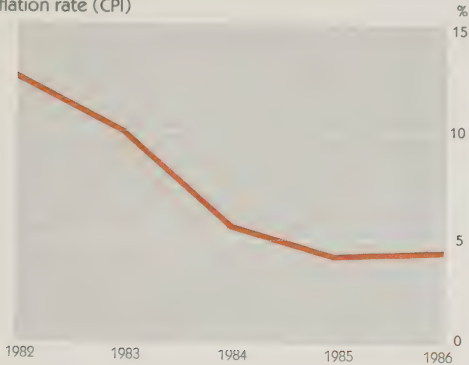
A key indicator of the productive health of the provincial economy is the real GPP growth - the percentage change in the value of all goods and services produced in Ontario, adjusted for inflation. Graph 1 shows the quarterly rates of growth, expressed as annual rates, in provincial output over the past five calendar years, including its

Graph 1
Real GPP growth



significant decline during the recession of 1981 and 1982 and its subsequent recovery. In the calendar year 1985, GPP grew by 5.2%.

Graph 2
Inflation rate (CPI)



Rate of inflation (CPI).

The rate of inflation as measured by the Consumer Price Index (CPI) has been declining steadily in Ontario in recent years. In fiscal 1985-86 it stabilized in the 4% range (Graph 2).

Graph 4
Unemployment rate



Unemployment rate.

The average unemployment rate dropped to 7.6% in fiscal 1985-86 from 8.9% in the previous year (Graph 4).

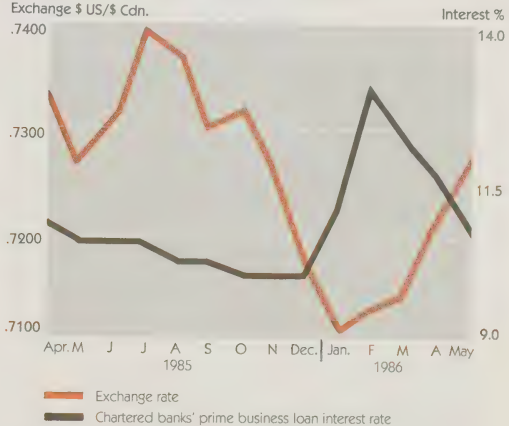
Graph 3
Growth in employment



Growth in employment.

A central element of an economy's health is its ability to generate jobs. The 1985-86 rate of growth of the annual average employment, at approximately 4%, continued the strong trend of recent years (Graph 3).

Graph 5
Prime rate/exchange rate Apr. 85 - May 86
Exchange \$ US/\$ Cdn.



Interest rate and exchange rate.

Interest rates gradually declined during the last nine months of 1985. In early 1986, interest rates rose as the Bank of Canada took measures to support the Canadian dollar; they resumed their downward trend as the dollar recovered (Graph 5).

Revenue highlights

Budgetary revenues for the year were \$363 million, or 1.4% above the 1985 Budget forecast. Personal income tax was \$472 million more than previously estimated due to adjustments by the federal government for prior years' actual personal income tax assessments and a federal re-estimate of 1985 tax year revenues. These increases were partly offset by a \$97 million decrease in federal payments under the Established programs financing arrangement.

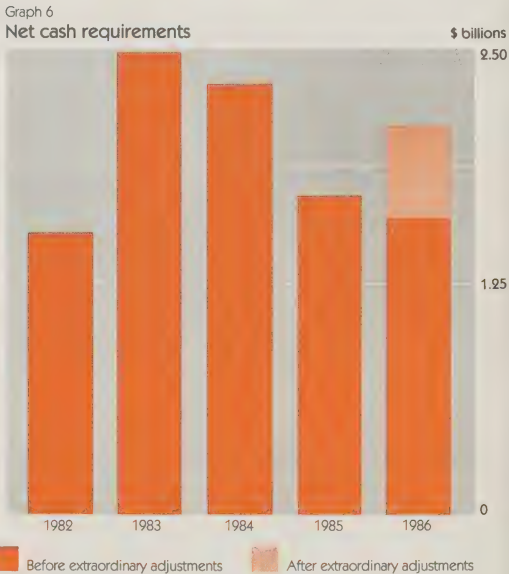
Expenditure highlights

Budgetary expenditures were \$293 million, or 1.0% above the Budget plan with the largest increases occurring in social programs. The Province provided \$128

million to pay down bridge financing loans of a number of hospitals and health science centres. Payments under the Ontario Health Insurance Plan for laboratory, physicians' and practitioners' services were \$67 million higher due mainly to increased utilization. In addition, more funds were made available for agricultural programs.

Net cash requirements

Net cash requirements before extraordinary adjustments were \$1,605 million, \$90 million below the Budget estimate. After taking into account extraordinary adjustments, net cash requirements were \$2,110 million, \$103 million less than the Budget estimate. Graph 6 shows net cash requirements for the past five years.



BUDGETARY REVENUE

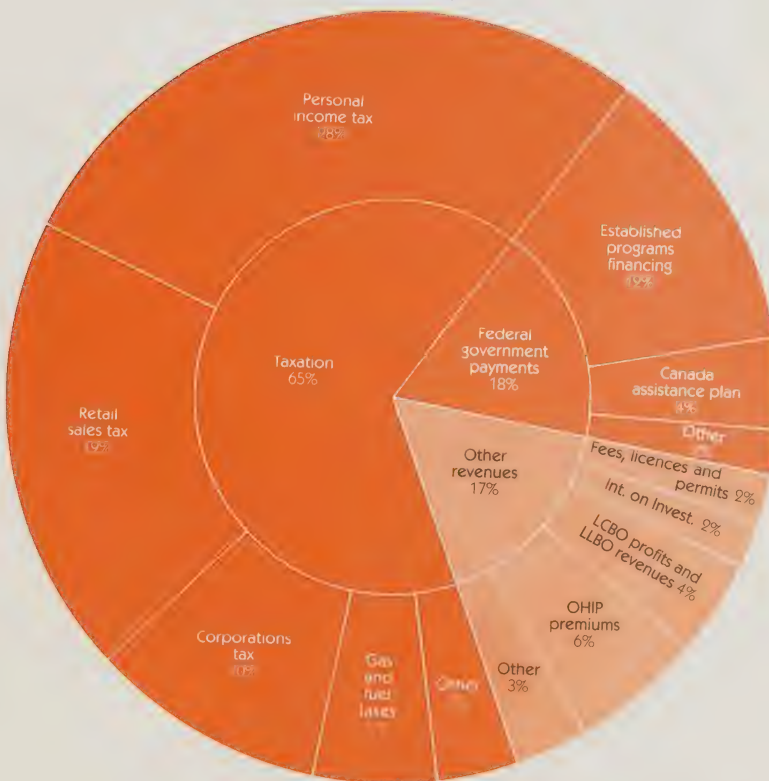
Budgetary revenue of \$26,059 million was \$363 million, or 1.4% over the 1986 Budget forecast (Table 1). The major sources of budgetary revenue and their respective percentages are shown in Chart 7.

Taxation

Personal income tax was \$472 million above

the 1986 Budget estimate. Adjustments by the federal government for prior years' actual assessments accounted for \$331 million, and a re-estimate of 1985 tax year revenue added \$141 million. These increases caused a \$97 million decrease in federal payments under the Established programs financing arrangement.

Chart 7
Sources of budgetary revenue



Corporations income tax revenues were \$66 million below the Budget estimate due mainly to lower than anticipated year-end payments. This decrease was mostly offset by higher tobacco and land transfer tax revenues which, respectively, reflect growth in consumption and record sales in the housing market.

Payments from the Government of Canada

Total payments from the federal government of \$4,682 million were \$41 million less than the Budget estimate. Payments under Established programs financing were \$97 million below the Budget estimate, primarily

as a result of adjustments to the personal income tax. Canada Assistance Plan payments increased by \$45 million, reflecting higher social assistance spending by the Province.

Health insurance premiums

Premiums collected under the Ontario Health Insurance Plan (OHIP) were \$1,622 million, \$16 million less than the Budget estimate. A broad program of premium assistance is in place for senior citizens, social assistance recipients and others requiring financial assistance, under which \$746 million in premium revenue was foregone.

Table 1 **Performance of major revenues**
(\$ millions)

	Actual		Budget		Variance	
Taxation:						
Personal income tax	7,249		6,777		+ 472	
Retail sales tax	5,025		5,019		+ 6	
Corporations tax	2,575		2,641		-66	
Other	<u>2,213</u>	17,062	<u>2,191</u>	16,628	<u>+22</u>	+ 434
Government of Canada:						
Established programs financing	3,137		3,234		-97	
Other	<u>1,545</u>	4,682	<u>1,489</u>	4,723	<u>+56</u>	-41
OHIP premiums	1,622		1,638		-16	
LCBO profits and LLBO revenues	913		950		-37	
Interest	455		485		-30	
Other	<u>1,325</u>	<u>4,315</u>	<u>1,272</u>	<u>4,345</u>	<u>+53</u>	-30
Total		<u>26,059</u>		<u>25,696</u>		<u>+363</u>

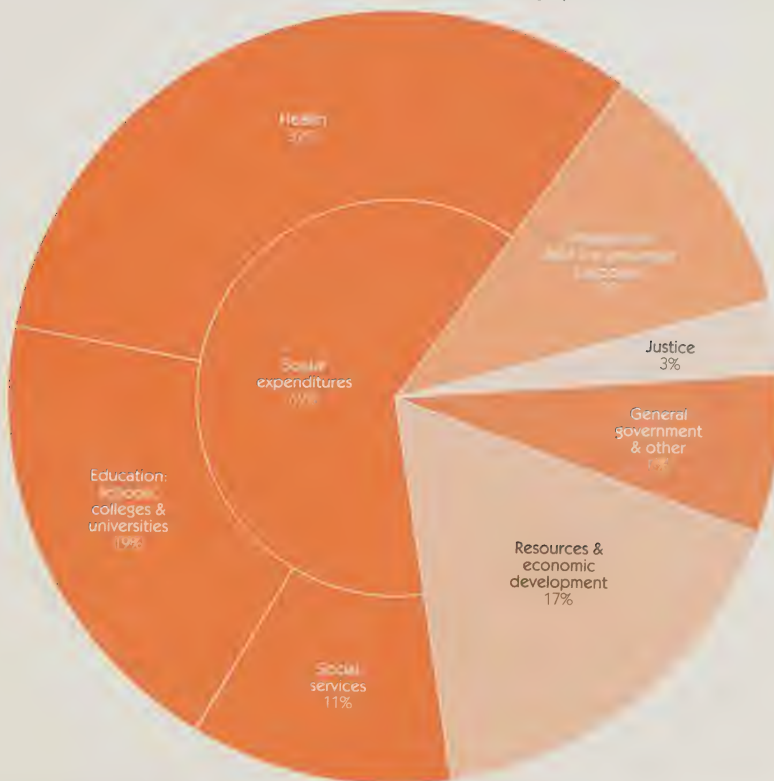
BUDGETARY EXPENDITURE AND ITS MAJOR COMPONENTS

Total budgetary expenditure before extraordinary adjustments was \$28,789 million, \$293 million over the Budget estimate. Chart 8 shows expenditure by major category. Extraordinary adjustments of \$3,671 million, which resulted from measures announced in the October 24, 1985 Budget are detailed in Note 1 and the Schedule of extraordinary adjustments in the financial statements. The extraordinary adjustments are not included in the following charts, graphs and comments on budgetary expenditure.

Transfer payments

Transfer payments, which include grants, subsidies and assistance to persons and other government bodies, represented 73% of budgetary expenditure and amounted to \$20,863 million. Graph 9 illustrates the five year trend of transfer payments in relation to program delivery costs and interest on debt for provincial purposes.

Chart 8
Budgetary expenditure by major category

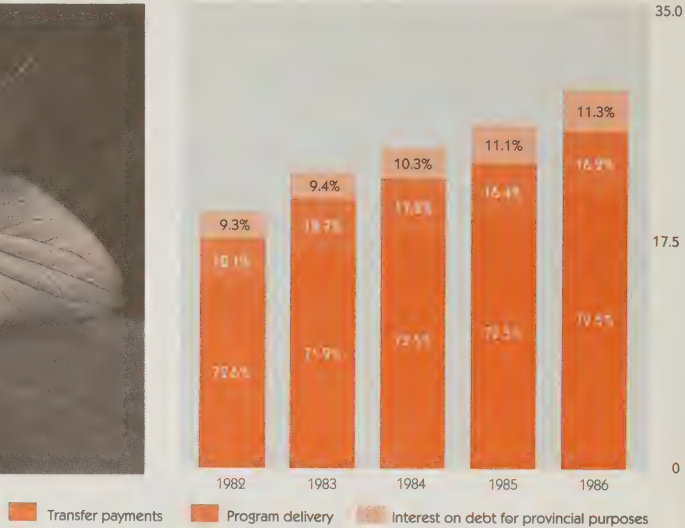




Graph 9

Major components as a per cent of budgetary expenditures

\$ billions
35.0



- **Health expenditure** was \$8,708 million, a growth of 11% from the previous year, and included:

- \$4,685 million (54%) transferred to hospitals and related facilities for operating and capital purposes;

- \$2,724 million (31%) as payments to physicians and other health practitioners for services and health care provided under the Ontario Health Insurance Plan (OHIP);

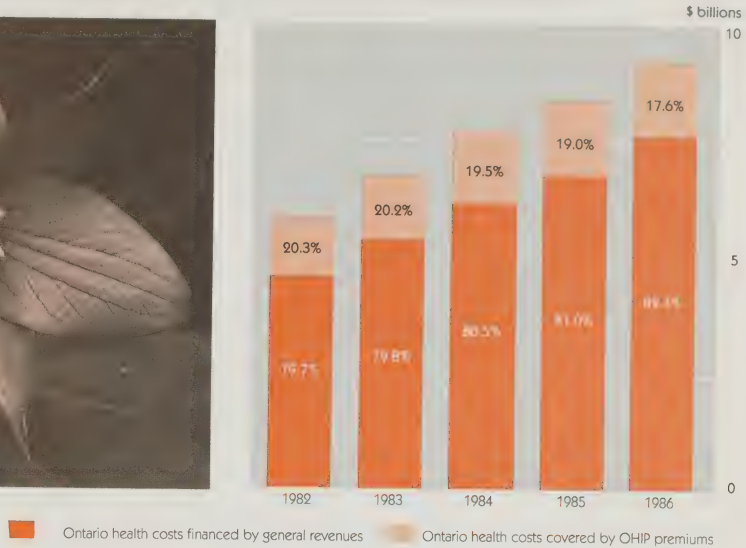
- \$977 million (11%) for extended and special care facilities, ambulance and emergency health services.

In addition, pensioners, social assistance recipients and those with low incomes received OHIP premium assistance amounting to \$746 million.

As Graph 10 indicates, the Province is phasing down its reliance on OHIP premiums to fund health care.



Graph 10
OHIP premiums and health expenditures



- **Educational expenditure** is administered mainly through the Ministries of Education and Colleges and Universities. The Province has carried out its responsibility for education by supporting local school boards for primary and secondary schools, as well as by funding universities, colleges and other post-secondary institutions. The combined education expenditure of \$6,135 million by all ministries included:

- \$3,359 million (55%) in transfer payments to the 189 local school boards in support of their operating and capital financing needs;

- \$1,907 million (31%) to the post-secondary educational sector for operating and capital costs.

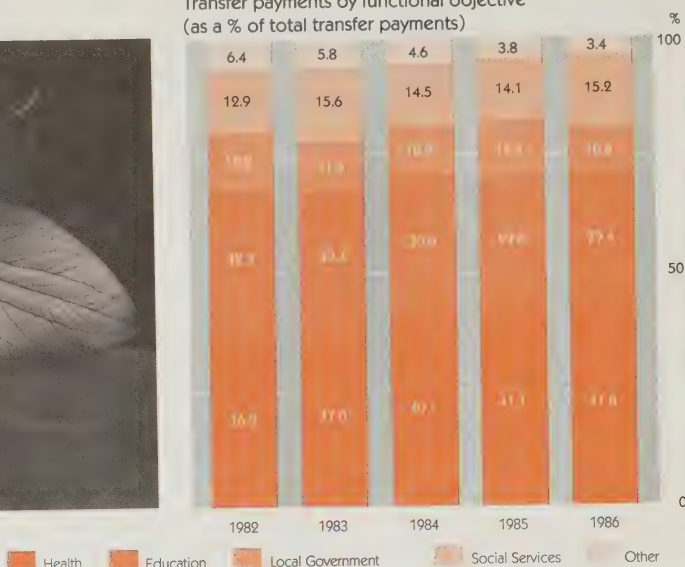
- **Social services expenditures** totalled \$3,180 million. The services are provided mainly through the facilities of the Ministry of Community and Social Services and by direct financial support to institutions, municipalities and various social agencies. The major expenditure items were:

- \$1,719 million (54%) for income maintenance to individuals requiring assistance on a long-term basis and subsidies to municipalities for their temporary assistance programs;

- \$574 million (18%) towards the support of children's programs such as children's aid societies, day nurseries, mental health facilities and juvenile correctional programs.



Graph 11
Transfer payments by functional objective
(as a % of total transfer payments)



- **Transfer payments to local governments**, designed to assist general municipal programs and to reduce municipal revenue deficiencies, totalled \$2,129 million. The major components were:

- unconditional grants to municipalities in the amount of \$752 million;
- subsidies of \$526 million to municipalities for road programs;
- capital and operating subsidies of \$349 million for municipal transportation systems.

Graph 11 shows the five year trend of transfer payments by functional objective.

Program delivery

Public servants' salaries and benefits, which

make up the major share of program delivery, totalled \$2,764 million, or 9.6% of the budgetary expenditure.

Interest on debt for provincial purposes

Interest costs associated with the debt for provincial purposes were \$3,250 million, 11.3% of the budgetary expenditure, up from 11.1% in the previous year.

Capital investments

The capital investments of the Province include direct capital projects such as provincial highways and the Province's share of capital spending undertaken by municipalities, hospitals, universities, school boards, other provincial organizations and joint projects with private industry.

In fiscal 1985-86, these investments amounted to \$2,215 million.

NON-BUDGETARY TRANSACTIONS

Non-budgetary transactions relate to lending, investment, pension and related benefit funds and trust administration functions. These generated net inflows of \$1,125 million to the Consolidated Revenue Fund before extraordinary adjustments. Table 2 shows the non-budgetary transactions by category.

Pension and related benefit funds

Pension inflows represent employer and employee contributions and interest earnings of funds held in trust mainly for government employees, members of the legislature, provincial judges and the Superannuation Adjustment Fund. The net of the deposits less payments from these funds totalled \$689 million.

Lending and investment

Loans and advances to, and investments in, various Crown agencies and local governments amounted to \$176 million. Repayments of loans and advances were \$424 million during the year producing a net inflow of \$248 million.

Trust and special purpose accounts

The net payments into the Consolidated Revenue Fund of \$188 million encompass transactions for a variety of trust funds such as interprovincial lotteries and include deposits of the Province of Ontario Savings Office. The 21 branches of the Savings Office in Ontario accept interest bearing deposits from the general public and provide chequing privileges. All deposits are guaranteed by the Province. The funds, surplus to the day-to-day operating needs, are deposited with the Treasurer of Ontario. The balance on deposit at year end was \$717 million.

Extraordinary adjustments

As announced in the October 24, 1985, Ontario Budget, the Province acted to improve the presentation of its financial affairs. Note 1 to the financial statements provides the detailed explanations of the extraordinary adjustments.

Table 2 **Non-budgetary transactions**
(\$ millions)

	1986	1985
Pension and related benefit funds - net payments into funds	689	615
Loans, advances and investments in various Crown agencies and local governments - net repayments	248	259
Trust and special purpose accounts - net increase in funds held	<u>188</u>	<u>90</u>
Non-budgetary contribution before extraordinary adjustments	1,125	964
Extraordinary adjustments	<u>3,166</u>	<u>-</u>
Total non-budgetary contribution	<u><u>4,291</u></u>	<u><u>964</u></u>

CONSOLIDATED DEBT OF THE ONTARIO PUBLIC SECTOR

Debt includes obligations that have a specified term to maturity and are secured by debt instruments including bonds, debentures, notes and treasury bills.

Ontario's outstanding debt of \$34,884 million comprised \$26,695 million for its own purposes and \$8,189 million for Ontario Hydro. In addition, the Province's statement of financial position shows other liabilities, mainly to public sector pension plans.

As shown on Chart 12, the Province has borrowed mainly from the Canada Pension Plan (CPP) and the Teachers' Superannuation Fund. The funds borrowed from the CPP represent Ontario's share of the Plan's investable surplus. The CPP funds are made available to the Province in the same proportion as contributions to the Plan by Ontario's residents. The Teachers' Superannuation Commission, which manages the pension plan of the teachers in Ontario, invests its surplus funds in provincial securities.

The Province also borrows in the United States markets on behalf of Ontario Hydro, and in these cases the proceeds are advanced to Ontario Hydro and are secured by bonds bearing like terms and conditions to the securities issued by Ontario. Of the \$8,189 million outstanding at March 31, 1986,

\$7,189 million was borrowed in the United States and \$1,000 million represented CPP funds passed to Ontario Hydro.

In addition, securities issued by Ontario Hydro are guaranteed by the Province and this contingent liability amounted to \$15,093 million at year end.

Public sector debt

A broad measure of debt in Ontario is presented in Table 3 and includes:

- Ontario's debt for provincial purposes;
- guaranteed obligations issued by Ontario Hydro and guaranteed by the Province;
- debt incurred by provincial agencies and the local government, university and hospital sectors.

The consolidated debt approach highlights the effects of Ontario's policy of centralized public sector financing where the Province's own financial strength has been used to fund the local government sector and its agencies. The Province has also carefully controlled the use of the provincial guarantee, restricting it almost exclusively to borrowings by Ontario Hydro.

Chart 19
Major components of debt incurred

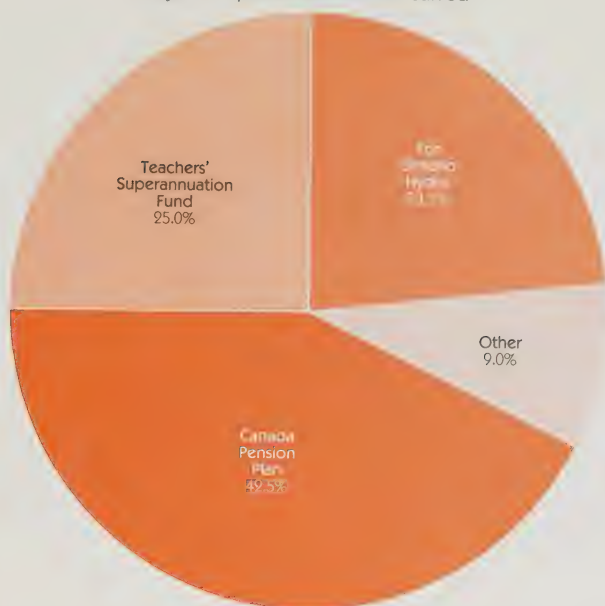


Table 3 Consolidated debt of the Ontario public sector

	Interim March 31/86 (\$ millions)	%	Actual March 31/85 (\$ millions)	%
Debt incurred for				
– Provincial purposes	26,695	49.3	24,593	48.5
– Ontario Hydro	8,189	15.1	8,206	16.2
Guaranteed Debt*				
– Ontario Hydro	15,093	27.9	13,388	26.4
Sub-Total	49,977	92.3	46,187	91.1
Other Public Sector Debt				
Provincial Agencies	1,463	2.6	1,755	3.4
Local Government Sector**	2,608	4.8	2,623	5.2
University and Hospital Sector	152	0.3	164	0.3
Sub-Total	4,223	7.7	4,542	8.9
Total	54,200	100.0	50,729	100.0

* The guaranteed debt excludes bank loans and is net of debt accumulated by Ontario Hydro for early retirement, which in 1986 was \$917 million (1985 \$920 million).

** The local government sector debt excludes the Sinking Funds and Own Holdings, which in 1986 totalled \$874 million (1985 \$805 million).

SELECTED FINANCIAL AND ECONOMIC STATISTICS

(\$ MILLIONS)

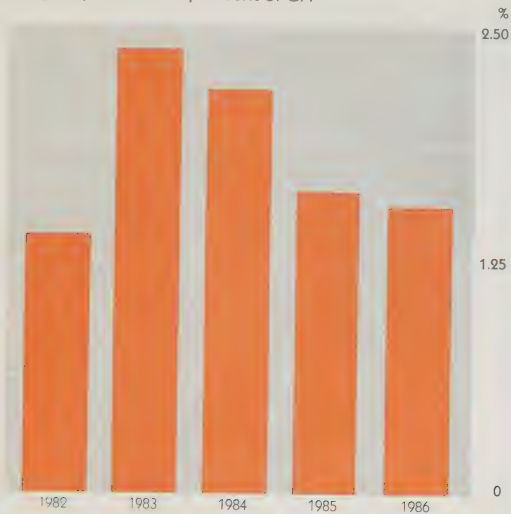
March 31	1986*	1986**	1985	1984	1983	1982
Budgetary transactions						
Revenue	26,059	26,059	23,765	21,313	19,322	17,884
Expenditure	28,789	32,460	26,431	24,553	22,509	19,651
Budgetary deficit	2,730	6,401	2,666	3,240	3,187	1,767
Non-budgetary transactions						
Repayments and deposits	1,633	4,799	1,431	1,334	1,111	1,002
Payments	508	508	467	383	402	738
Non-budgetary contribution	1,125	4,291	964	951	709	264
Net cash requirements	1,605	2,110	1,702	2,289	2,478	1,503
Provincial debt transactions (net)	2,102	2,102	2,090	2,860	2,051	1,363
Ontario Hydro debt transactions (net)	(17)	(17)	719	429	485	1,694
Liabilities						
Debt incurred for						
- Provincial purposes	26,695	26,695	24,593	22,503	19,643	17,592
- Ontario Hydro	8,189	8,189	8,206	7,487	7,058	6,573
Other	6,539	6,539	5,662	5,011	4,333	3,784
Total liabilities	41,423	41,423	38,461	35,001	31,034	27,949
Gross provincial product at market prices¹	177,059	177,059	163,145	148,008	133,536	127,408
Gross provincial product in constant (1971) prices¹	57,543	57,543	54,692	51,020	48,470	51,024
Personal income (Ontario)¹	154,100	154,100	141,799	130,333	121,091	109,672
Personal income (Ontario) per capita¹ (June 1 population) (in dollars)	16,860	16,860	15,849	14,768	13,893	12,716
Net cash requirements/GPP(%)	0.9	1.2	1.0	1.5	1.9	1.2
Debt incurred for provincial purposes/GPP (%)	15.1	15.1	15.1	15.2	14.7	13.8
Consolidated debt of the public sector/GPP (%)	30.6	30.6	31.1	31.9	30.4	30.0
Contingent liabilities	15,963	15,963	14,220	12,711	11,122	9,284

¹ Gross provincial product and personal income are calculated on a calendar year basis. The amounts appearing in a fiscal year column are for the preceding calendar year.

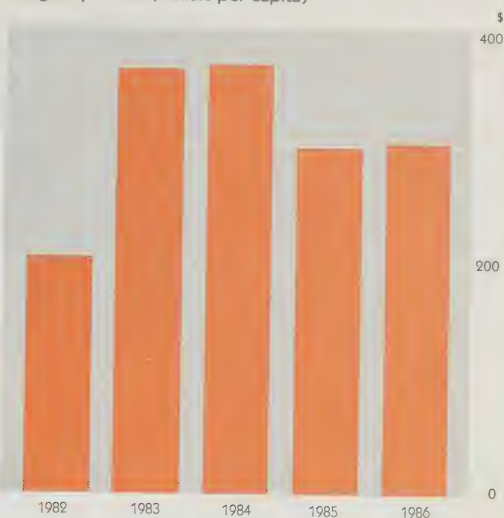
* Before extraordinary adjustments ** After extraordinary adjustments

GRAPHIC PRESENTATION OF SELECTED FINANCIAL AND ECONOMIC STATISTICS

Graph 13
Budgetary deficit as a per cent of GPP



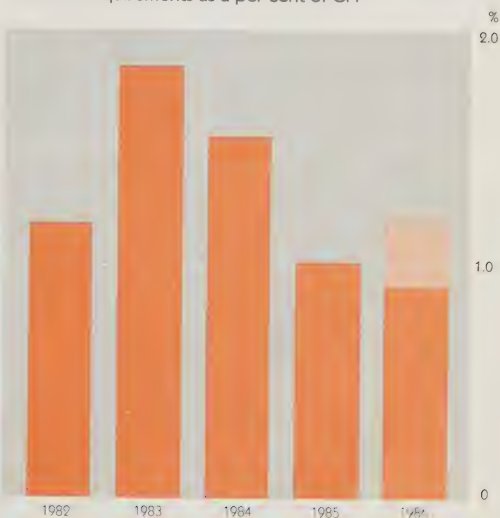
Graph 14
Budgetary deficit (dollars per capita)



Graph 15
Liabilities for provincial purposes as a per cent of GPP



Graph 16
Net cash requirements as a per cent of GPP



Before extraordinary adjustments After extraordinary adjustments



FINANCIAL
STATEMENTS
1986

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting basis

The financial statements, prepared using the concept of a Consolidated Revenue Fund, have been designed primarily to provide an accounting of the financial resources appropriated by the Ontario Legislature. The policies and practices followed by the Province, under which the financial transactions of government ministries are recorded and displayed as Consolidated Revenue Fund cash inflows and outflows, best accommodate reporting to the Legislature.

The cash basis of accounting used by the Province is modified to allow for an additional thirty days to pay for debts incurred during the fiscal year just ended. Cash inflows, on the other hand, are closed at March 31 for cash received or in transit.

Commencing in fiscal year 1985-86, loans and advances made to Crown corporations, boards and commissions are recorded as financial assets if they are expected to be repaid and have specific terms and conditions. The asset values are periodically adjusted when it can be reasonably determined that the value of the underlying security for the loans and advances has diminished, and when the Province's asset is not likely to be fully recovered. Equity holdings in Crown corporations are valued at a nominal amount of \$1.

Prior to 1985-86, loans and advances made to, and investments made in Crown corporations, boards and commissions were recorded as financial assets. In some cases, the funds required to repay the advances and loans were effectively provided out of provincial expenditure appropriations. As announced in the October 24, 1985 Ontario Budget, certain advances, loans and investments in corporations, boards and commissions have been written down or forgiven. The write-offs or loan forgiveness are classified as extraordinary adjustments since they are not typical of normal government activities, and are not considered as recurring factors in any evaluation of ordinary government operations. The

extraordinary adjustments are reported in the Schedule of extraordinary adjustments and explanations are provided in the Notes to the financial statements.

The accounting of the Province's transactions is recorded under three categories.

Budgetary transactions

Budgetary transactions are the revenue and expenditure activities of the Government.

Revenue

Includes revenue raised through taxation, premiums, fees, licences and permits, payments from the Federal Government under fiscal arrangements and shared-cost programs, and income from investments.

Expenditures

Expenditures on government programs include payments for goods and services, interest on debt for provincial purposes, salaries, transfer payments to individuals, local governments and institutions, subsidies and grants, and the acquisition and creation of fixed assets.

Non-budgetary transactions

Non-budgetary transactions are the lending, investment and trust administration activities of the Government, including loans, advances and investments, pension and related benefit funds and other trust and special purpose accounts. These transactions affect only asset and liability accounts.

Loans, advances and investments

This category includes the government lending and investment activity in various Crown corporations, agencies and local governments.

Pension and related benefit funds

Pension and related benefit funds consist of all employee and employer contributions and interest earnings of the funds which are

mainly for government employees, members of the legislature, provincial judges, the Superannuation Adjustment Fund, less payments made from these funds.

Trust and special purpose accounts

Trust and special purpose accounts arise from the Province's trust administration activity for government ministries, agencies and the private sector.

Financing transactions

Financing transactions show the issuance and repayment of securities.

Debt transactions

Provincial purpose transactions are the borrowing and repayment activities for its own purposes.

Ontario Hydro transactions

Ontario Hydro transactions relate to amounts borrowed by the Province on behalf of Ontario Hydro. The Province issues securities, and advances the proceeds to Ontario Hydro in exchange for bonds with like terms and conditions. These transactions and the ensuing retirement and debt servicing costs are the result of a financing alternative and are not a part of the Province's own budget plan.

Financial assets, accumulated deficit and liabilities

Financial assets

Advances to Ontario Hydro represent the face value of funds advanced to Ontario Hydro, stated in Canadian dollars using the year end rate of exchange.

All other financial assets are claims by the Consolidated Revenue Fund on other parties and have been created by cash transactions. Since expenditures on fixed assets do not represent financial claims on other parties and are not considered to differ from any other service to the public, they are not reported as financial assets but are expensed as budgetary items in the year of acquisition.

Accumulated deficit

The accumulated deficit of the Province is the excess of liabilities over financial assets,

representing the accumulation of all budgetary deficits and surpluses since Confederation. The year-to-year change in the accumulated deficit is the amount by which budgetary revenues exceed or are less than budgetary expenditures.

Liabilities

The liabilities are claims by other parties on the Consolidated Revenue Fund.

Debt incurred for provincial purposes comprises debentures, notes and treasury bills which are recorded at the face value of the debt instrument, or in the case of the foreign currency denominated debt, at the Canadian dollar equivalent. Discount, premium and commission expenses are treated as current year budgetary transactions. The general resources of the Province are used for the continued orderly retirement of debt and no sinking funds are maintained for this purpose.

Other liabilities include pension and related benefit funds, deposits with the Province of Ontario Savings Office and trust and special purpose accounts as described under Non-budgetary transactions.

Contingent liabilities

The contingent liabilities of the Province consist of guarantees by the Treasurer of Ontario and material claims against the Crown.

Foreign currency translation

Proceeds and retirements of loans denominated in foreign currencies are recorded as Financing transactions at the Canadian dollar equivalent using the rate of exchange prevailing on the day of the transaction. Debt payable and contingent liabilities are translated to Canadian dollars at year end rates of exchange.

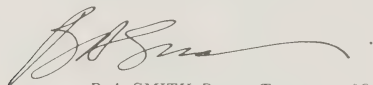
In the case of outstanding debt issued on behalf of Ontario Hydro, the offsetting advances to Ontario Hydro are similarly translated at year end rates of exchange and, therefore, there is no exchange gain or loss to be recorded. In the case of outstanding debt incurred for provincial purposes, exchange gains or losses are recorded as Budgetary transactions.

PROVINCE OF ONTARIO
STATEMENT OF
FINANCIAL POSITION
as at March 31, 1986 (\$ millions)

	1986	1985
Financial assets		
Cash and temporary investments (note 2)	2,118	2,126
Advances - corporations, boards and commissions (note 3)	715	3,482
Investments in water treatment and waste control facilities (at cost less recoveries) (note 4)	510	1,028
Loans to local governments	588	626
Other loans (note 5)	54	145
	<u>3,985</u>	<u>7,407</u>
Advances to Ontario Hydro, secured by bonds (note 6)	8,189	8,206
Total financial assets	12,174	15,613
Accumulated deficit	29,249	22,848
	<u>41,423</u>	<u>38,461</u>
Liabilities		
Debt incurred for provincial purposes (note 7)	26,695	24,593
Pension and related benefit funds (note 8)	5,397	4,708
Deposits with the Province of Ontario Savings Office	717	655
Trust and special purpose accounts	425	299
Total liabilities for provincial purposes	33,234	30,255
Debt incurred for Ontario Hydro (note 7)	8,189	8,206
	<u>41,423</u>	<u>38,461</u>
Contingent liabilities (note 9)	15,963	14,220

See accompanying Summary of significant accounting policies and Notes to the financial statements.

Approved on behalf of the Ministry of Treasury and Economics:



B. A. SMITH, Deputy Treasurer of Ontario and Deputy Minister of Economics



D. S. MCCOLL, Assistant Deputy Minister, Office of the Treasury

PROVINCE OF ONTARIO
**STATEMENT OF CONSOLIDATED
REVENUE FUND TRANSACTIONS**
for the year ended March 31, 1986 (\$ millions)

	Budget 1986	Actual 1986	Actual 1985
Budgetary transactions			
Revenue	25,696	26,059	23,765
Expenditure	<u>28,496</u>	<u>28,789</u>	<u>26,431</u>
Budgetary deficit - before extra- ordinary adjustments	2,800	2,730	2,666
Extraordinary adjustments (note 1 and schedule)	<u>3,699</u>	<u>3,671</u>	—
Budgetary deficit	6,499	6,401	2,666
Non-budgetary transactions (net)			
Pension and related benefit funds	695	689	615
Loans, advances and investments	273	248	259
Trust and special purpose accounts	<u>137</u>	<u>188</u>	<u>90</u>
Non-budgetary contribution (net) - before extraordinary adjustments ..	1,105	1,125	964
Extraordinary adjustments	<u>3,181</u>	<u>3,166</u>	—
Total non-budgetary contribution ..	4,286	4,291	964
Net cash requirements	2,213	2,110	1,702
Financing			
Debt transactions			
Proceeds of loans net of retirements	1,996	2,102	2,090
Increase (decrease) in cash and temporary investments	<u>(217)</u>	<u>(8)</u>	<u>388</u>
Total financing	<u>2,213</u>	<u>2,110</u>	<u>1,702</u>
Net cash requirements - before extra- ordinary adjustments	1,695	1,605	1,702

See accompanying Summary of significant accounting policies and Notes to the financial statements.

PROVINCE OF ONTARIO
**STATEMENT OF
 BUDGETARY REVENUE**
 for the year ended March 31, 1986 (\$ millions)

	Budget 1986	Actual 1986	Actual 1985
Taxation			
Personal income tax	6,777	7,249	6,253
Retail sales tax	5,019	5,025	4,426
Corporations tax	2,641	2,575	2,248
Gasoline tax	1,020	977	961
Tobacco tax	561	603	583
Fuel tax	242	242	225
Land transfer tax	162	205	139
Race tracks tax	64	64	61
Public utilities income tax	75	56	51
Mining profits tax	55	55	65
Succession duty	7	6	6
Other	5	5	5
	<u>16,628</u>	<u>17,062</u>	<u>15,023</u>
Other revenue			
Premiums - Ontario Health Insurance Plan	1,638	1,622	1,586
Profits from Crown corporations and boards			
Liquor Control Board of Ontario	682	638	602
Ontario Lottery Corporation	132	136	122
Vehicle registration fees	349	356	329
Liquor Licence Board of Ontario revenues	268	275	253
Other fees and licences	235	252	223
Royalties	152	164	136
Utility service charges	111	126	111
Fines and penalties	90	87	85
Sales and rentals	71	73	80
Other	132	131	132
	<u>3,860</u>	<u>3,860</u>	<u>3,659</u>
Government of Canada			
Established Programs Financing			
Cash Contribution	2,850	2,752	2,772
Extended Health Care Services	384	385	359
Canada Assistance Plan	1,000	1,045	938
National Training Agreement	162	171	168
Other	327	329	341
	<u>4,723</u>	<u>4,682</u>	<u>4,578</u>
Interest on loans, advances and investments ..	485	455	505
Total budgetary revenue	<u>25,696</u>	<u>26,059</u>	<u>23,765</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

PROVINCE OF ONTARIO
**STATEMENT OF
 BUDGETARY EXPENDITURE**
 for the year ended March 31, 1986 (\$ millions)

Ministry	Budget 1986	Actual 1986	Actual 1985
Agriculture and Food	374	387	304
Attorney General	286	287	279
Citizenship and Culture	214	215	183
Colleges and Universities	2,053	2,063	1,934
Community and Social Services	2,768	2,863	2,604
Consumer and Commercial Relations	122	124	114
Correctional Services	271	283	245
Education	3,385	3,380	3,217
Energy	82	83	80
Environment	334	315	282
Government Services	438	436	380
Health	8,945	9,214	8,340
Housing	251	234	218
Industry, Trade and Technology	82	82	79
Intergovernmental Affairs	7	8	9
Labour	75	76	72
Legislative and Executive Offices	8	8	6
Management Board of Cabinet	18	20	17
Municipal Affairs	859	848	810
Natural Resources	455	444	416
Northern Development and Mines	163	175	176
Office for Women's Issues	10	10	4
Revenue	688	684	652
Skills Development	418	392	305
Solicitor General	336	340	309
Tourism and Recreation	146	145	159
Transportation and Communications	1,553	1,602	1,587
Treasury and Economics	713	735	672
Other	82	86	56
	<u>25,136</u>	<u>25,539</u>	<u>23,509</u>
Interest on debt for provincial purposes	3,278	3,250	2,922
Contingency fund	132	-	-
Estimated year-end savings (note 11)	(50)	-	-
	<u>28,496</u>	<u>28,789</u>	<u>26,431</u>
Total budgetary expenditure before extraordinary adjustments	28,496	28,789	26,431
Extraordinary adjustments (note 1 and schedule)	3,699	3,671	-
Total budgetary expenditure	<u>32,195</u>	<u>32,460</u>	<u>26,431</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

PROVINCE OF ONTARIO
STATEMENT OF
NON-BUDGETARY TRANSACTIONS
for the year ended March 31, 1986 (\$ millions)

	Budget 1986	Actual 1986	Actual 1985
Pension and related benefit funds			
DEPOSITS TO:			
Public Service Superannuation Fund	663	641	565
Superannuation Adjustment Fund	280	283	248
Other	<u>22</u>	<u>22</u>	<u>31</u>
	965	946	844
PAYMENTS FROM:			
Public Service Superannuation Fund	168	164	164
Superannuation Adjustment Fund	89	82	63
Other	<u>13</u>	<u>11</u>	<u>2</u>
	270	257	229
Net deposits to pension and related benefit funds ...	695	689	615
Loans, advances and investments			
REPAYMENTS BY:			
Corporations, boards and commissions			
Crop Insurance Commission of Ontario	—	13	24
Development Corporations	32	57	41
Ontario Education Capital Aid Corporation	104	79	89
Ontario Land Corporation	75	86	75
Ontario Universities Capital Aid Corporation	38	26	23
Other	59	20	28
Local governments	22	74	52
Water treatment and waste control facilities	85	46	68
Other loans and investments	<u>15</u>	<u>23</u>	<u>29</u>
	430	424	429
PAYMENTS TO:			
Corporations, boards and commissions			
Development Corporations	28	77	51
Ontario Energy Corporation	30	16	28
Other	40	13	10
Local governments	24	36	25
Water treatment and waste control facilities	<u>35</u>	<u>34</u>	<u>56</u>
	157	176	170
Net repayments of loans, advances and investments .	273	248	259

See accompanying Summary of significant accounting policies and Notes to the financial statements.

PROVINCE OF ONTARIO
STATEMENT OF
NON-BUDGETARY TRANSACTIONS
(continued)

for the year ended March 31, 1986 (\$ millions)

	Budget 1986	Actual 1986	Actual 1985
Trust and special purpose accounts			
DEPOSITS TO:			
Interprovincial lotteries trust fund	143	181	128
Motor vehicle accident claims fund	11	10	11
Province of Ontario Savings Office	31	62	(32)
Other	<u>26</u>	<u>10</u>	<u>19</u>
	<u>211</u>	<u>263</u>	<u>126</u>
PAYMENTS FROM:			
Interprovincial lotteries trust fund	66	65	21
Motor vehicle accident claims fund	4	6	9
Other	<u>4</u>	<u>4</u>	<u>6</u>
	<u>74</u>	<u>75</u>	<u>36</u>
Net deposits to trust and special purpose accounts .	137	188	90
Total non-budgetary contribution (net) - before extraordinary adjustments	1,105	1,125	964
Extraordinary adjustments - Write-offs (note 1)			
Ontario Universities Capital Aid Corporation	969	969	-
Water treatment and waste control facilities	527	506	-
Ontario Land Corporation	490	468	-
Ontario Education Capital Aid Corporation	437	464	-
Ontario Energy Corporation	426	423	-
Ontario Housing Corporation	184	184	-
Loans to public hospitals: debt forgiveness	69	80	-
Urban Transportation Development Corporation Ltd.	37	37	-
Liquor Control Board of Ontario	25	25	-
Development Corporations	<u>17</u>	<u>10</u>	<u>-</u>
Total extraordinary adjustments	3,181	3,166	-
Total non-budgetary contribution	<u>4,286</u>	<u>4,291</u>	<u>964</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

PROVINCE OF ONTARIO
**STATEMENT OF
DEBT TRANSACTIONS**
for the year ended March 31, 1986 (\$ millions)

	Budget 1986	Actual 1986	Actual 1985
Proceeds of loans			
Canada Pension Plan Investment Fund	1,150	1,214	1,134
Teachers' Superannuation Fund	<u>1,200</u>	<u>1,235</u>	<u>1,065</u>
Total proceeds of loans	2,350	2,449	2,199
Retirements of loans			
Canada Pension Plan Investment Fund	20	20	-
Other debentures and notes	<u>334</u>	<u>327</u>	<u>109</u>
Total retirements of loans	354	347	109
Debt transactions (net)	<u>1,996</u>	<u>2,102</u>	<u>2,090</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

PROVINCE OF ONTARIO
**SCHEDULE OF
EXTRAORDINARY ADJUSTMENTS**
for the year ended March 31, 1986 (\$ millions)

	Budget 1986	Actual 1986
Ontario Energy Corporation re: Suncor		
Write-off advance	325	325
Discharge of Sun note obligation	305	294
Ontario Land Corporation		
Mortgage valuation write down	37	40
Land valuation write down and transfer to ministries	453	428
Removal of obligations to the Province		
Ontario Universities Capital Aid Corporation: debt forgiveness ..	969	969
Ontario Education Capital Aid Corporation: debt forgiveness ...	437	464
Ontario Housing Corporation: debt forgiveness	184	184
Loans to public hospitals: debt forgiveness	69	80
Investments in water treatment and waste control facilities: write down	527	506
Provincial equity in Crown corporations write down		
Ontario Development Corporation	7	7
Urban Transportation Development Corporation Ltd.	37	37
Ontario Energy Corporation	101	98
Liquor Control Board of Ontario	25	25
Other adjustments		
Municipal transit: unfunded commitments	90	90
Hospitals: unfunded commitments	15	13
Development Corporations: uncollectable debts	10	3
School boards: restoration of cash advances	108	108
	<u>3,699</u>	<u>3,671</u>

See accompanying Summary of significant accounting policies and Notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(all figures in millions of dollars)

1. Extraordinary adjustments

As announced in the October 24, 1985 Ontario Budget, action was taken to improve the presentation of the Province's financial affairs. The new policy dealing with the accounting treatment of these actions, is described in the Summary of significant accounting policies. Adjustments were made during the fiscal year and were not applied retroactively. They were as follows:

- The removal from the Province's accounts of financial assets where the funds required to repay the advances and loans were effectively provided out of provincial expenditure appropriations;
- The revaluation of financial assets when it was determined that the value of the underlying security for advances had diminished, and when the Province's asset was not likely to be fully recovered;
- The write down of investments which took the form of equity holdings in Crown corporations to a nominal value of \$1.

The following are reported as Extraordinary adjustments:

(a) Removal of obligations to the Province -

- Debentures held by the Ontario Universities Capital Aid Corporation were assumed by the Province following the Corporation's wind down on December 20, 1985. The debentures outstanding at March 31, 1986, were written off with the exception of \$5 million in direct municipal obligations related to library construction, which have been included with Loans to local governments. The write-off totalled \$969 million.
- Debentures held by the Ontario Education Capital Aid Corporation, were assumed by the Province following the Corporation's wind down on December 20, 1985. These debentures were written down by \$464 million reflecting the portion supported by provincial grants. The remaining debentures totalling \$293 million have been included with Loans to local governments.
- The Province's advances to the Ontario Housing Corporation totalling \$184 million were written off.
- The value of the Province's Loans to public hospitals was reduced by the \$80 million portion funded by the Province.
- The provincial investment in water treatment and waste control facilities of \$506 million, which was determined as not to be recoverable from municipalities, was written off.

(b) Adjustments to financial assets

- Advances of \$325 million from the Province to the Ontario Energy Corporation for the purchase of shares in Suncor Inc. have been written off.
- Advances of \$428 million made by the Province to the Ontario Land Corporation for the acquisition and development of land were written off. In addition it was estimated that the Province would be unable to recover the full value of all mortgages. Accordingly, the value of advances for mortgage activities was reduced by \$40 million.

(c) Provincial equity in Crown corporations write down

• Ontario Development Corporation	\$7 million
• Urban Transportation Development Corporation Ltd.	37 million
• Ontario Energy Corporation	98 million
• Liquor Control Board of Ontario	25 million

(d) Other adjustments

- Payment of \$294 million to the Ontario Energy Corporation to allow it to discharge its remaining obligations to the Sun Note Company related to the 1981 purchase of a 25% shareholding in Suncor Inc.
- Payment of \$90 million to municipal transit systems to honour commitments made which were unfunded.
- Payment of \$13 million to hospitals to honour commitments made which were unfunded.
- Payment of \$108 million to school boards to restore cash advances to the previous level of 7%.
- Advances of \$3 million to the Development Corporations for their lending programs were written off.

2. Cash and temporary investments

Temporary investments consist mainly of marketable short-term securities issued by Canadian chartered banks, and provincial and federal governments and are recorded at cost. Also included are \$22 million (1985 \$28 million) of debentures and bonds issued or guaranteed by the Province, which at March 31, 1986 had a market value of \$22 million (1985 \$24 million).

3. Advances - corporations, boards and commissions

	1986	1985
Ontario Land Corporation	\$323	\$872
Development Corporations	285	273
Other	107	197
Ontario Universities Capital Aid Corporation	0	1,007
Ontario Education Capital Aid Corporation	0	543
Ontario Energy Corporation	0	407
Ontario Housing Corporation	0	183
	<u>\$715</u>	<u>\$3,482</u>

The Ontario Land Corporation advances of \$323 million as at March 31, 1986 represent the appraised market value of mortgages, reflecting a write down of \$40 million during the year, as described in Note 1. Advances of \$428 million to the Corporation for the acquisition and development of land were also written off as the Corporation will transfer its land holdings to the Province at no cost and will therefore not repay the related advances.

The Ontario Development Corporation and the associated Eastern Ontario Development Corporation and Northern Ontario Development Corporation provide loans and arrange for provincial guarantees of bank loans to qualified enterprises. The Province has advanced funding for the Corporations' lending programs. The Province also defrays the Corporations' costs for all administrative expenses, loans made at low interest rates, and honouring guarantees, amounting to \$15 million in 1986 (1985 \$17 million). Advances to the Corporations are reduced by their loan forgiveness and write-offs, amounting to \$9 million in 1986 (1985 \$9 million). As described in Note 1, the Province's equity investment in the Ontario Development Corporation of \$7 million was written down to a nominal value of \$1.

Advances to the Ontario Universities Capital Aid Corporation, the Ontario Education Capital Aid Corporation, the Ontario Energy Corporation and the Ontario Housing Corporation have been written off as described in Note 1.

4. Investments in water treatment and waste control facilities

The Ministry of the Environment lets extensive contracts for the building of water and sewage systems to serve municipalities. These investments are being recovered over the life of the agreements with the municipalities. As described in Note 1, the investment has been written down by \$506 million.

Agreements covering \$429 million of the investment are for provincially-owned projects which are subject to service rate billings. The proceeds from these billings are used to amortize the investment over periods of up to forty years, to pay for operating costs, and to provide a return on the investment.

Certain other agreements provide for the accumulation of the principal portion of annual amortization payments in a sinking fund. The accumulated balance in these funds amounting to \$45 million at March 31, 1986 (1985 \$47 million) was applied as a reduction of the investment account. In previous years, the sinking fund liability was reported as a part of trust and special purpose accounts.

5. Other loans

Included in other loans are Ministry of Health capital construction loans to public hospitals amounting to \$42 million (1985 \$132 million). During the current fiscal year, the Province discontinued the practice of recording grants to hospitals to fund the repayment of a portion of certain loans as described in Note 1. As a result, the value of the Province's loans was reduced by the \$80 million portion funded by the Province.

6. Advances to Ontario Hydro

The Province has advanced funds to Ontario Hydro, secured by bonds with like terms and conditions to the securities issued by the Province on behalf of Ontario Hydro. The bonds consist of U.S. \$5,145 million (1985 U.S. \$5,272 million), and Canadian \$1,000 million (1985 Canadian \$1,000 million) with respect to Canada Pension Plan funds. At March 31, 1986 bonds denominated in U.S. dollars are recorded at \$7,189 million (1985 \$7,206 million), the Canadian dollar equivalent using the exchange rate in effect on that date. Transactions during the year are as follows:

	1986	1985
Proceeds of loans	\$ -	\$319
Retirements of loans	(175)	(80)
Net proceeds	(175)	239
Foreign exchange differential	158	480
Net (decrease) increase in debt incurred for Ontario Hydro purposes	<u>(17)</u>	<u>719</u>

	1986	1985
Related advances, interest and recoveries		
Advances to Ontario Hydro	-	319
Interest	916	874
Recovery of interest and loan retirements	(1,091)	(954)
Net advances	(175)	239
Foreign exchange differential	158	480
Net related advances, interest, foreign exchange differential and recoveries	<u>\$(17)</u>	<u>\$719</u>

7. Debt incurred

Debentures, notes and treasury bills for provincial purposes and for Ontario Hydro, expressed in Canadian dollars, are summarized by years of repayment/maturity in the following table.

Years of repayment/ maturity	For provincial purposes		For Ontario Hydro			
	1986	1985	Canadian	1986 United States	Total	1985 Total
March 31						
1986	\$	\$ 865	\$	\$	\$	\$ 136
1987	998	346				
1988	775	776		279	279	273
1989	919	919				
1990	453	453		279	279	274
1991	484			62	62	
1-5 years	3,629	3,359		620	620	683
6-10 years	4,478	3,790		1,171	1,171	1,208
11-15 years	6,646	6,780	500	627	1,127	542
16-20 years	9,733	8,611	500	1,420	1,920	2,067
21-25 years	2,086	1,917		2,265	2,265	2,630
26-30 years	72	69		1,086	1,086	1,076
31-35 years	51	64				
36-40 years		3				
	<u>\$26,695</u>	<u>\$24,593</u>	<u>\$1,000</u>	<u>\$7,189</u>	<u>\$8,189</u>	<u>\$8,206</u>

The U.S. dollar debenture liability has been revalued using the rate of exchange as at March 31. The foreign exchange differential is \$158 million (1985 \$480 million).

As explained in Note 6, the Province has an offsetting asset of Ontario Hydro bonds with like terms and conditions to the securities issued by the Province.

8. Pension and related benefit funds

The Province maintains accounts within the Consolidated Revenue Fund for all contributions and interest earnings less payments regarding the following pension and related benefit funds and accounts. The amounts recorded by the Province are essentially the sole assets of these plans.

	1986	1985
Public Service Superannuation Fund	\$4,030	\$3,554
Superannuation Adjustment Fund	1,300	1,099
Legislative Assembly Retirement Allowances Account	32	29
Provincial Judges Benefits Fund	31	25
Other	4	1
	<u>\$5,397</u>	<u>\$4,708</u>

Based on the latest actuarial report as at December 31, 1982, the Public Service Superannuation Fund had unfunded liabilities as follows:

1. An initial unfunded liability of \$83 million, upon which an interest contribution of \$7 million is required to be credited annually in accordance with the Pension Benefits Act.
2. Residual unfunded liabilities of \$38 million which are required to be amortized by annual payments of \$7 million until January 1, 1992.

As at March 31, 1986, the Province had made all scheduled payments.

An actuarial review of the Legislative Assembly Retirement Allowances Account as at March 31, 1985, revealed a surplus of \$1 million.

9. Contingent liabilities

Obligations guaranteed by the Province:

	1986	1985
Debentures, bonds and notes		
Ontario Hydro	\$15,093	\$13,388
Bank loans guaranteed		
Corporations and individuals through various government programs	319	293
Other guarantees		
Corporations	551	534
Provincial Crown agencies	—	5
	<u>\$15,963</u>	<u>\$14,220</u>

Claims against the Crown:

There are claims outstanding against the Crown of which five are for amounts over \$50 million each arising from legal action either in progress or threatened in respect of breach of contract, damages to persons and property and like items. The likely cost to the Province, if any, cannot be determined because the outcome of these actions is uncertain.

10. Teachers' Superannuation Fund

Through budgetary expenditure, the Province makes annual payments matching teachers' contributions to the Teachers' Superannuation Fund. The Fund is administered by the Teachers' Superannuation Commission. The Province is also committed to paying any deficiency in the Fund. \$39 million was paid in fiscal 1985-86 on account of the unfunded liability based on the actuarial report as at December 31, 1981.

Subsequently in fiscal 1986-87, the actuarial report as at December 31, 1984 was filed declaring a surplus of \$693 million and as a result the \$39 million was refunded by the Teachers' Superannuation Commission.

11. Budget figures

The comparative budget figures in the financial statements are from the 1985 Ontario Budget which was presented by the Treasurer of Ontario to the Legislative Assembly on October 24, 1985.

The Contingency fund budget figure in the Statement of budgetary expenditure represents a provision for the cost of salary and employee benefit revisions likely to be approved in the fiscal year. These revisions when paid, however, are charged to each ministry's appropriations.

The Estimated year-end savings figure in the Statement of budgetary expenditure represents expected underspending during the year which was not specifically identified by ministry.

12. Comparative figures

The 1985 comparative figures have been reclassified where necessary to conform with the 1986 financial statement presentation.

SOURCES OF ADDITIONAL INFORMATION

The Ontario Budget

The government presents a Budget each year, usually in the early spring. The background and implications of any new tax proposals are contained in the Budget papers, which include the Budget Statement, Budget measures, the fiscal plan and other information. Copies may be obtained free from the Ontario Government Bookstore, 880 Bay Street, Toronto, or by writing to the Publications Services Section, 5th Floor, 880 Bay Street, Toronto, Ontario, M7A 1N8.

The Estimates of the Province of Ontario

The government's spending estimates for the fiscal year commencing April 1 are presented to members of the Legislative Assembly following the presentation of the Ontario Budget by the Treasurer. The estimates outline the spending plans of each Ministry that the Legislative Assembly will be asked to approve in the form of the Supply Act and various other appropriation acts. Supplementary estimates are tabled as required during the fiscal year. Copies of the estimates may be obtained free from the Ontario Government Bookstore, 880 Bay Street, Toronto, or by writing to the Publications Services Section, 5th Floor, 880 Bay Street, Toronto, Ontario, M7A 1N8.

The Public Accounts of Ontario

The Public Accounts of Ontario, the government's annual financial report required by Section 13 of the Ministry of Treasury and Economics Act for the fiscal year ended March 31, is tabled in the Legislature usually in October of each year. They are issued in three volumes:

- Volume 1 contains the financial statements of the Province and schedules of supporting information.
- Volume 2, a supplementary volume, contains the financial statements of those provincial Crown corporations, boards and commissions in which the Province has an investment or that have borrowed from the Province or from others with a guarantee by the Province. Also included are selected agencies and certain significant operational agencies that are funded in whole or in part by revenues generated from their operations.
- Volume 3, also a supplementary volume, contains the details of expenditures required by the Standing Public Accounts Committee.

The Public Accounts are available from the Ontario Government Bookstore, 880 Bay Street, Toronto, Ontario, M7A 1N8. Prices are: Volume 1, \$3; Volume 2, \$2; Volume 3, \$3.

Ontario Finances

This is a quarterly report on the government's Budget for the fiscal year. It covers developments during the fiscal year and provides a revised outlook for the remainder of the year. Copies may be obtained free by writing to the Ministry of Treasury and Economics, Communications Branch, 5th Floor, Frost Building South, 7 Queen's Park Crescent, Toronto, Ontario, M7A 1Y7.

Ontario Statistics

This report, which is published every other year, supplies information on four areas – the Land, the People, the Economy and the Government. It will be published in 1986 and is available from the Ontario Government Bookstore, 880 Bay Street, Toronto, or by writing to the Publications Services Section, 5th Floor, 880 Bay Street, Toronto, Ontario, M7A 1N8. Price: \$15.

Ontario Economic Accounts

This quarterly report contains data on changes in Ontario's economic growth. Copies may be obtained free by writing to the Ministry of Treasury and Economics, Office of Economic Policy, 5th Floor, Frost Building North, 95 Grosvenor Street, Toronto, Ontario, M7A 1Y7.

Demographic Bulletin

This bulletin provides statistics on the components of population changes in Ontario and is produced intermittently during a year. Copies may be obtained free from the Ontario Government Bookstore, 880 Bay Street, Toronto, or by writing to the Publications Services Section, 5th Floor, 880 Bay Street, Toronto, Ontario, M7A 1N8.

